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**The Irish Credit Union Movement: Member participation
and organisational effectiveness**

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Submitted in fulfilment of the degree of PhD

2nd September, 2005

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List of abbreviations

AGM	Annual General Meeting
APR	Annual Percentage Rate
ATM	Automatic Teller Machine
CAMEL	Capital adequacy, Asset Size, Management Quality, Equity ratios, and Liquidity
CCU	Community Credit Union
CEO	Chief Executive Officers
CORI	Conference of Religious in Ireland
CUAC	Credit Union Advisory Committee
CUMA	Credit Union Managers' Association
CWC	Community Workers Co-operatives
ECDL	European Computer Driving Licence
EFT	Electronic Funds Transfer
EU	European Union
ICA	International Co-operative Alliance
ICU	Industrial Credit Union
IFSRA	Irish Financial Services Regulatory Authority
ILCU	Irish League of Credit Unions
IT	Information Technology
MABS	Money Advice and Budgeting Service
MBO	Management by Objectives
NPO	Non-profit Organisation
OE	Organisational Effectiveness
PEARLS	Protection, Effective financial structure, Asset quality, Rates of return and cost, Liquidity, and Signs of growth
SPSS	Statistical Package for the Social Sciences
SSIA	Special Savings Incentive Account
TCU	Theoretical Credit Union
UCC	University College Cork

UK	United Kingdom
US	United States
WOCCU	World Council of Credit Unions
YDO	Youth Development Officer

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and to
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for unwavering support.*

Abstract

This thesis explores the relationship between organisational effectiveness and member participation in Irish credit unions. It is hypothesised that a positive relationship exists between both variables. Co-operative literature suggests that co-operatives require the involvement of the members in identifying and meeting their own needs in order to be effective organisations. Previous research studies into the issue across a variety of organisational types have shown mixed results. Related research into credit unions is sparse.

The primary research undertaken is both quantitative and qualitative in approach. Organisational effectiveness is examined in both quantitative and qualitative terms. Member participation, being an organisational process, is examined in qualitative terms. Indicators of organisational effectiveness, specific to credit unions, are drawn up and form a framework through which effectiveness is examined. A typology and indicators of member participation are also developed and form a framework through which member participation is examined. The case study method is used primarily, to examine organisational effectiveness and member participation in Irish credit unions. A case study of a theoretical credit union, which is based on a composite of good practice in credit unions in Ireland and internationally, is also drawn up to develop the analysis further. The case studies allow an analysis of both organisational effectiveness and member participation, as well as an exploration of the relationship between the two.

The findings support the hypothesis that there is a direct relationship between the two variables. In order to be effective, credit unions must involve their members in identifying their needs and in designing services to meet these needs. At present, they do not do this to any large extent. In order to continue to meet the needs of their members and to compete in the financial services sector, credit unions will need to find ways of involving members, drawing on good practice in other co-operatives. This will be critical to their continued success.

Chapter One

Introduction to the research

1.1 Background to the research

Sitting at a regional meeting of credit unions, the following conversation was heard:

A: *“If it weren’t for the participation by members in credit unions, we wouldn’t perform half as well as we do.”*

B: *“That’s true. After all, as credit unions we have a voluntary and democratic ethos and if we don’t fulfil our ethos what are we?”*

C: *“I disagree. It’s because members participate in running credit unions that credit unions are still viewed by many as being amateur organisations. We would perform much better if we paid all of our personnel, including the board of directors. That way we would attract a much more professional set of people to run this organisation properly! As it is, we sometimes seem to spend more time trying to find members willing to get involved than we do actually working!”*

A: *“I agree that sometimes it’s difficult to find members willing to volunteer, but it’s true what B says – we have a voluntary and democratic ethos. This ensures that the members have ownership and control over their credit union – it gives them a say in the running of the organisation. This is what makes us perform as well as we do!”*

What difference does participation by members in credit unions make to the effectiveness and performance of credit unions? From the above conversation it is clear that people disagree. Knoke and Wood (1981) concluded that participation has no significant effect on organisation effectiveness. Pratt (1998) argues that member participation in co-operatives, such as credit unions, adds *value*. How this value can be defined is not clear. Parnell (1994) claims that participation is a key ingredient of a successful co-operative enterprise. Birchall (1999) comments on the lack of success of consumer co-operatives in developed countries because they have failed to involve their members.

1.2 Research questions

The main objective of this thesis is to explore the nature of the relationship between member participation and organisational effectiveness in credit unions. Is an effective credit union one that has high levels of member participation? Or do high levels of member participation hinder the operations and management of a credit union, thereby negatively impacting on the effectiveness of the credit union organisation?

The main research question then is:

What is the relationship between member participation in credit unions and their organisational effectiveness?

In order to establish this relationship, a number of sets of sub-questions arise:

Sub-questions - Set One:

How should organisational effectiveness in credit unions be defined and measured?

Sub-questions - Set Two:

What does member participation in credit unions mean in Ireland? How appropriate is this participation to the needs of the members?

Sub-questions – Set Three:

How does member participation differ between effective and less effective credit unions? How can credit unions become more effective?

1.3 Research approach

Credit unions within the Irish credit union movement form the main units of study for this research. The research is primarily qualitative in orientation but contains some quantitative elements also. In accordance with the literature on organisational effectiveness, activists at different levels in Irish credit unions were first asked to name those criteria that they felt best reflected the organisational effectiveness of credit unions. Then a number of credit unions were ranked for effectiveness on the basis of these criteria, together with an indicator of overall financial performance. It was originally decided to select those credit unions that ranked highest and lowest for conducting detailed case studies on member participation. However, it became clear that the credit unions which were ranked highest and lowest may not have been the most effective and least effective credit unions. In fact, it became clear that a number of credit unions that might be relatively more effective had ranked themselves lower than a number of credit unions that might be relatively less effective. The methodology was then revised to select a credit union further from the top of the scale and one further from the bottom of the scale and detailed case studies of member participation and organisational effectiveness carried out to identify what participation and effectiveness means to credit unions and to provide some basis for comparison between credit unions. To further assist this comparison, some theorising was also carried out to determine what a highly participative and highly effective credit union might be like. In addition, member participation in a larger cross-section of credit unions across the scale was examined to shed further light on the issues.

1.4 Significance of the study

This study is significant on a number of levels. Firstly, it attempts to identify the criteria that can be used to measure the organisational effectiveness of Irish credit unions. These criteria are derived from the statements and opinions of Irish credit union activists. Therefore, it provides a starting point for the measurement of the effectiveness of Irish credit unions in Ireland to enable credit unions to identify and improve on that effectiveness and differentiate themselves as co-operatives.

Secondly, the study provides a detailed exploration of member participation in Irish credit unions. It further develops a typology of member participation and begins to identify indicators of participation by drawing on theory and practice. It offers insights into the current status of member participation in Irish credit unions and identifies a clear trend towards degeneration.

Thirdly, it attempts to add to the current literature on the relationship between participation and the effectiveness of the organisation, and does so in a credit union context. In particular, the study adds to an understanding of this relationship and to the methodological debate on how to define and measure OE.

1.5 Limitations of the study

A number of limitations to the study are recognised. Firstly, the measures of financial performance utilised in the research, the CAMEL ratios, were withdrawn from use by the credit union movement during the period of the research because of limitations in what they could measure in a changing environment. New ratios were in the process of being drawn up but had not been finalised at the time the primary research was being conducted. Hence, the author was forced to use the most recent CAMEL ratios available, while recognising the limitations in performance measurement that these posed.

Secondly, the quantitative findings with regard to OE were not entirely conclusive. This partly limited the examination of the relationship between both factors.

Thirdly, the study is confined primarily to credit unions in one geographical area and therefore does not take potential geographical differences into account. This was necessitated given the limitation in resources of the author and the localised credit union knowledge of the author. An expanded study might well explore OE and member participation, taking a wider geographical area into account.

1.6 Organisation of the study

This chapter, Chapter One, has introduced the study and has set out its objectives. Chapter Two elaborates on the context of the research, examining the co-operative form of organisation and placing credit unions within this form. The structure and objectives of credit unions are examined and the opportunities for member participation identified. A detailed discussion on effectiveness and participation in credit unions and the possible relationship between the two concludes the chapter.

Chapter Three presents the literature on organisational effectiveness and performance and relates this back to co-operatives and credit unions. Literature on conventional organisations concludes that the criteria which measure effectiveness are essentially unknown and will differ according to the organisation being studied. A multi-dimensional approach to the measurement of effectiveness is necessary, taking both objective and subjective measures into account and drawing on the views of the stakeholders in the organisation. The co-operative organisation literature points to the importance of measuring the effectiveness of co-operatives and highlights the absence of a co-ordinated approach. Most co-operatives neglect to measure their effectiveness or performance from any perspective, other than the financial perspective.

Chapter Four examines the literature on member participation, particularly in relation to co-operatives, including credit unions. It finds that member participation is of acute importance in co-operatives and that it can take many different forms. The chapter continues by considering member participation in four co-operatives where particular attempts are made to involve the members. It then explores member participation in Irish credit unions and details some research statistics

showing what kinds of people put themselves forward to participate and the extent of such participation. It concludes by examining, in brief, some of the literature around non-participation and degeneration in co-operatives.

Chapter Five outlines the methodology used for conducting this research. A combination of quantitative and qualitative approaches was used. The chapter provides details of how the data was collected and analysed and shows how the methods chosen were deemed to be the most appropriate to the research. It also explains some of the difficulties and limitations of the research.

Chapter Six presents two detailed case studies of credit unions in terms of both member participation and organisational effectiveness. The case studies are also used in Chapter Eight to assist in identifying indicators of member participation for a broader examination of member participation across a wider selection of credit unions.

Chapter Seven theorises about a credit union that is both highly effective and highly participative in its operations and practices. To do this, it draws on best practice in credit unions and other co-operatives and on relevant literature, in terms of both member participation and organisational effectiveness and gives an account of how such a theoretical credit union might behave. This assists in an analysis in Chapter Nine of what gaps exist between the credit unions that were case studied and a highly effective and participative credit union. It also assists in a theoretical examination of the relationship between organisational effectiveness and member participation in credit unions.

Chapter Eight sets out member participation in a typical Irish credit union today based on qualitative research in 10 credit unions. A number of key themes emerge from the data collected, showing in Chapter Nine that Irish credit unions may well need to begin to 're-invent' member participation. Chapter Nine analyses the findings of the research and showing how the study's hypothesis can be supported by the research. It also points to potential future research in terms of both

organisational effectiveness and member participation and concludes with some strategic directions on a way forward for credit unions.

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Chapter Two

Context of the research

2.1 Introduction

This chapter sets out the context for the research. It examines the co-operative form of organisation and shows where credit unions fit into this form. It then sets out the structure and objectives of credit unions, looking in brief at opportunities for member participation. The greater part of the chapter discusses effectiveness and participation in credit unions, exploring the possible relationship between the two, and looks in brief at the findings of literature to date.

2.2 Co-operatives

There are numerous forms of co-operative organisation. Credit unions are one form of co-operative. According to the International Co-operative Alliance (ICA), the apex organisation of the international co-operative movement,

“A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.”¹

Co-operatives are established by people who have a need in common, such as a need for access to affordable housing, a need for employment, a need for access to affordable credit, and so on, and who are prepared to set up their own enterprise to meet those needs. This co-operative enterprise is jointly owned by all members, on an equal footing, and provides the services that will meet the commonly held needs of the members.

¹ International Co-operative Alliance, 1995 Statement on Co-operative Principles, see <http://www.ica.coop/ica/info/enprinciples.html>

In this way, co-operative members not only own the organisation and partake in all decision-making, but also design the services to meet their needs, use these services to meet their needs, and often, some members will be involved in providing the services.

According to Briscoe et al (1982:32-36), effective co-operatives have three main characteristics:

1. Co-operatives treat people as origins of action – they activate the users
2. Co-operatives encourage people to work together to solve mutual problems
3. Co-operatives are designed for use – to meet people’s needs rather than solely to make profits

Each of these co-operative characteristics will now be explored.

2.2.1 Treating people as origins of action – activating the users

According to Briscoe et al (1982:33) co-operatives provide

“a structure through which people can get actively involved with others in meeting their own needs. Co-operatives encourage people to do things themselves, to become origins of action with the knowledge, skills and confidence to solve their own problems.”

In other words, co-operatives enable and facilitate people to be *origins of action* rather than passive in finding ways to meet their needs. Naturally, co-operative training and educational programmes are vital in this regard.

As Briscoe & Ward (2005:37) assert,

“things get done more effectively when the people using the organisation are knowledgeable, conscious of the nature of their needs and problems, and actively involved in seeking effective solutions”.

2.2.2 Mutual aid

Briscoe et al (1982:34) highlight the fact that when people work together, rather than as isolated individuals, *“they can get a leverage on life which would be beyond any of them individually”*. A sense of loyalty and trust can help to sustain a co-operative through ‘thick and thin’.

2.2.3 Design for use

The services of a co-operative must be designed for the specific use of the members. Briscoe et al (1982:35) state that

“an effective co-operative with activated members working together to solve mutual problems is more likely to design its services self-consciously for use because it is working in the interests of the members”.

Furthermore, they state that,

“the ability of a co-operative to meet its members’ needs is likely to depend upon the extent to which it treats them as origins of action, encourages mutual aid and involves members in designing products and services for use” (Briscoe et al, 1982:36).

Thus, a co-operative is more likely to be effective if its members are actively involved, because this will ensure that services being offered will be designed specifically to meet their own needs. In this way, members are more likely to be loyal and committed to their co-operative because it meets their needs in a way that is unmatched by more conventional organisations. Briscoe & Ward (2005:38) assert that *everything* about the organisation must be tailored around members’ needs:

“its structure and management styles, its products and services, its facilities and location, [and] its member education programmes”.

Therefore, the more members are involved in the co-operative, and the more appropriate that involvement is, the more effective the co-operative can be in meeting their needs. And as already stated, appropriate education and training are vital.

Fairbairn (2003:26) asserts that co-operatives which are closely linked to their members, and whose policies and practices are transparent to the members, have distinct advantages over more conventional businesses. He states:

“Instead of being seen as a marginal kind of business that has less access to capital and more onerous obligations than its competitors – dare we say this is the standard view of many economists? – a co-operative has powerful advantages because of its integrated, flexible and dynamic relationship with its members.”

Similarly, Briscoe & Ward (2000) argue that co-operatives which genuinely reflect the characteristics of co-operation will be effective organisations because they are genuinely meeting the needs of their members, and thus are likely to have significant competitive advantages in the market place.

The spirit of the above theories of co-operation are central to this thesis. These are issues to which the author will return at later stages.

Examples of co-operatives where all three characteristics are clearly in evidence are profuse. Detailed examples of how co-operatives involve their members will be presented in section 4.5.

2.3 Credit unions

Credit unions are financial co-operatives where people work together to help themselves and each other. Credit unions are voluntary, non-profit, financial co-operatives with both social and economic objectives as set out in Table 2.1.

TABLE 2.1

Objectives of Credit Unions

- | | |
|-------|---|
| (i) | the promotion of thrift among members by the accumulation of their savings |
| (ii) | the creation of sources of credit for the mutual benefit of its members at a fair and reasonable rate of interest |
| (iii) | the use and control of members' savings for their mutual benefit |
| (iv) | the training and education of its members in the wise use of money |
| (v) | the education of its members in their economic, social and cultural well-being as members of the community |
| (vi) | the improvement of the well-being and spirit of the members' community |
| (vii) | the provision to its members of such additional services as are for their mutual benefit |

Source: Standard Rules for Credit Unions, Republic of Ireland, Irish League of Credit Unions, Dublin

From Table 2.1, it can be seen that credit unions have both social and economic objectives. Credit unions aim to meet the financial needs of their members by providing a range of financial services and by giving members full ownership and control of the operations of the credit union. They also educate their members in wise financial practices. The improvement of the local community is also an important objective of credit unions.

It might also be stated that these objectives, and in particular, the latter four, might well present varied opportunities for enabling member participation in credit unions, thus facilitating credit unions in activating the users, designing the co-operative for use by the members, and supporting mutual aid.

Credit union objectives stem from the credit union operating principles, clearly defined in the Standard Rules for Credit Unions and reflecting the co-operative

principles laid down by the ‘Rochdale Pioneers’ in the 1800s and as updated by the International Co-operative Alliance, most recently in 1995. The credit union operating principles can be explained as follows:

1. Open and voluntary membership

Membership is open to anyone who holds the ‘common bond’ of the credit union. There are two main types of credit union in Ireland: *community*, where the common bond usually includes anyone who lives or works in a particular community, and *industrial*, where the common bond usually includes people who work in a particular organisation and their immediate families. In Ireland, credit unions are organised around a community common bond in 90% of cases.

This principle also states that there are “*corresponding responsibilities*” attaching to the rights of membership, although these responsibilities are not explicitly identified.

2. Democratic control

Zeuli & Cropp (2004:49) assert that the most important responsibility of co-operative members is “*participation in the governance of the co-operative*”. They point out that co-operatives depend on the active participation of all members.

Every member of a credit union has one vote, regardless of their shareholding, unlike a conventional organisation where voting rights are allocated on the basis of shareholding. This principle recognises that credit unions are “*served and controlled by their members*”. (Figure 2.1 helps to demonstrate this more fully.) In this way, the service users are also the service providers. The principle also declares that elected officers, such as members of the board of directors, must serve in a voluntary capacity and receive no remuneration, other than legitimate expenses, for carrying out their duties.

3. Limited dividends on equity capital

Where permanent equity capital exists it receives a limited dividend only. While this operating principle has been adopted by the Irish credit union movement, it is not relevant within the Irish movement at present. This is because Irish credit unions do not have equity capital, that is, capital in the form of ‘non-withdrawable’ shares. Other credit union movements, such as that in the US, allow members to hold non-withdrawable shares in the credit union.

4. Return on savings and deposits

A fair rate of return is paid on savings and deposits to encourage members to save and to provide funds for borrowing.

5. Return of surplus to members

Any surplus that arises must be allocated to the members in proportion to their transactions with the credit union, or ploughed back to provide additional services, but only after appropriate reserves levels are catered for.

6. Non-discrimination in race, religion and politics

Credit unions do not discriminate against members or non-members on the basis of race, nationality, sex, religion or politics. All decisions are based on the needs of the members and sound economic and management principles.

7. Service to members

The services provided by credit unions are designed to improve the “*economic and social well-being of all members*” rather than the maximisation of operating surpluses.

8. On-going education

This principle states that credit unions must educate their members, their personnel and the public in general on the economic, social, democratic and mutual self-help principles of credit unions as well as educating their members on their rights and responsibilities as members. These are deemed essential to the “*dual social and economic character of credit unions in serving member needs*”.

9. Co-operation among co-operatives

Credit unions must co-operate with other co-operatives and credit unions in order to serve the interests of their members and their communities and to develop the co-operative idea in society.

10. Social responsibility

Credit unions have a wider responsibility to “*bring about human and social development*” among their members and the wider community. Decisions must be made taking the interests of the members and their community into consideration.

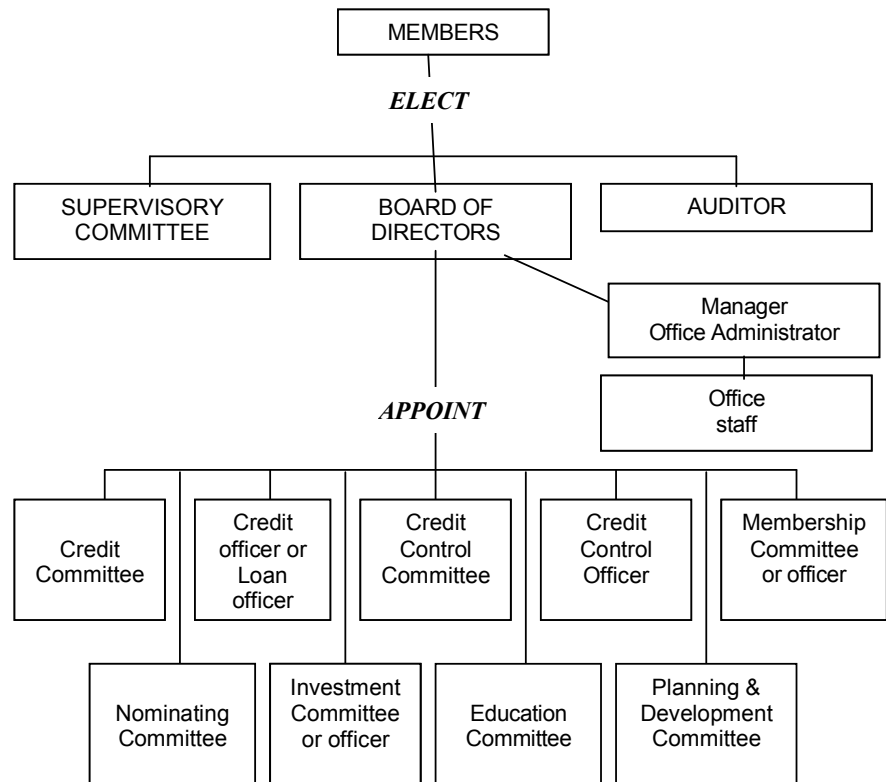
The typical organisation structure of credit unions is shown in Figure 2.1 and demonstrates in particular how the operating principle of democratic control by the members is activated.

As the figure shows, members are the head of the organisational hierarchy in credit unions as they are in any other form of co-operative. The members elect the Board of Directors, the Supervisory Committee and the Auditor at the Annual General Meeting. The Board of Directors is charged with the overall direction and management of the affairs of the credit union. The Supervisory Committee is an independent body charged with overseeing and monitoring the operations of the credit union. The Auditor is appointed from outside the organisation and ensures that the financial records are maintained according to standard accounting policy and give a true and fair view of the financial state of the credit union.

The Board in turn appoints a salaried manager as well as a number of committees that operate on a voluntary basis. The Credit Committee and/or the Loan Officer decide on loan applications while the Credit Control Committee and/or the Credit Control Officer monitor the repayment of loans. The Membership Committee and/or Membership Officer ensure that all applications from members are *bona fide* and hold the common bond. The Investment Committee is unique to Northern Ireland and is responsible for researching the investment portfolio of the credit union. The Education Committee is responsible for ensuring that the members and

personnel are educated about their rights and responsibilities as laid down in the Operating Principles, while the Planning and Development Committee engages in strategic thinking about the credit union's operations and activities. The Nominating Committee ensures that there are adequate nominees for election to fill vacant positions on the Board, the Supervisory Committee or as the Auditor.

FIGURE 2.1
Credit union structure



On all committees other than the Supervisory Committee, the Education Committee and any other *ad hoc* committees, it is necessary to have at least one Board member. The balance of the committee can be comprised of other voluntary members who are not on the Board. However, there is often considerable overlap

between committees and their membership, and in terms of the board members and the committee members, thereby reducing the total number of members volunteering within their credit union. Indeed, in research conducted by McKillop et al (2002) into Irish credit unions, it was stated that competition for elected positions could not be described as being intense. In the Republic of Ireland, only 27% of credit unions had more candidates for election than there were vacancies. A more recent survey of credit unions suggests that there are 9,184 volunteers holding board and committee positions across 511 respondent credit unions in Ireland².

It can be seen from Figure 2.1 that many opportunities for formal voluntary participation exist in credit unions. The structure of co-operatives such as credit unions, enables democratic control by the members of their organisation and the opportunity to participate in the organisation they own. As co-operative organisations, credit unions strive to involve their members at every level: as those who design the service, as those who run and manage the organisation, as those who make decisions relating to the organisation and so on. Participation is important on a number of fronts:

- a) it reduces financial costs (Hayes, 1996)
- b) it retains the democratic spirit of credit unions (Tenenbaum, 1988)
- c) it gives members a say in decisions affecting their lives [Gladstone (1979), Hinton & Hyde (1980-1), Gerard (1983), all as referenced by Hayes (1996:33)], Briscoe et al (1982)
- d) it empowers the members and helps to give them self-esteem (Tenenbaum, 1988)

The subject of member participation is more fully reviewed in Chapter Four.

² Irish League of Credit Unions, Annual Report 2004

2.4 Background to the research

2.4.1 Extent of credit unionism in Ireland

Founded in the late 1950s, the Irish credit union movement has provided an alternative savings and loans facility for the members of local communities. Many of these communities had been excluded from the main banking systems primarily because of the economic weakness of the community members or had been exploited by a variety of moneylending establishments, both legal and illegal (Culloty, 1990). Combining both economic and social objectives, credit unions, set up by members of local communities, brought financial independence to their communities and enabled people to help themselves and to help each other. Indeed, the value of their mutualist and voluntary principles is evidenced by their survival (Matthews, 1998). By putting people before profits, credit unions have, in effect, allowed individual communities to solve local problems using appropriate local solutions and have been enormously successful at doing so in Ireland.

This successful performance is evident in the statistics released each year by the main national umbrella body for Irish credit unions, the Irish League of Credit Unions (ILCU). In 2003³, there were 531 credit unions affiliated to the ILCU with a total membership of 2.9 million people. Savings totalled almost €9.5 billion while loans stood at €5.6 billion. The credit unions studied in this thesis are all affiliated to the ILCU.

2.4.2 Performance measurement in co-operatives and credit unions

Jackson (1998) argues that non-profit organisations need to have a grasp of the factors that indicate their level of success. Credit unions, while non-profit organisations, are also businesses competing in a tough business environment. For this reason, performance measurement in co-operatives is essential. Parnell (1999) discusses the problem experienced by many co-operatives in being forced to adopt conventional approaches to accounting for their performance through financial accounts. He argues that co-operatives need *also* to report on the benefits delivered

³ Ibid.

by the co-operative to the members and stresses that these should not be limited to financial benefits. The importance of financial and social accountability to members is also emphasised in the Co-operative Commission Report in the UK (2001). Pestoff (1995b:5) argues that few 'contracts' between a co-operative and its stakeholders are strictly financial and

“involve different degrees of non-financial or social responsibility and accountability. The responsibility of accountability arising from such actions cannot be completely discharged through financial measures of performance”.

He states that the extent to which a co-operative has met its non-financial responsibilities is rarely measured. The importance of social performance measurement in credit unions is most recently stressed by Hyndman et al (2004).

The financial performance of credit unions is readily and regularly measured. Non-financial performance measurement, on the other hand, is somewhat neglected. Hyndman et al (2001) go so far as to suggest that accountability in Irish credit unions in both financial and wider social terms is weak⁴. This is indeed evidenced in the Report of the Registrar of Friendly Societies (2000) in the Republic of Ireland, who suggests that internal control procedures in some credit unions are not always of a sufficiently high standard. A number of credit union fraud cases have been widely reported in the press in the past few years and remedial action has been required.

Parnell (1999) argues that poor performance by co-operatives is often the result of an absence of performance measures. Kurimoto (2000) puts forward the following reasons to develop criteria for evaluating the performance of co-operatives:

- a) Co-operatives differ in nature from profit-oriented organisations and therefore must establish criteria which are different from those of conventional

organisations. This also enables them to differentiate themselves from mainstream conventional organisations.

- b) Co-operative business areas have expanded to include environment and culture and therefore co-operatives are now more significant in society
- c) Some co-operatives have gone bankrupt and some co-operative officials have been involved in unethical behaviour, therefore there is a greater need for openness and the parameters of co-operative management responsibility must be more clearly defined.

The main objectives of performance measurement in co-operatives according to Kurimoto (2000) are:

- a) self-examination as a business operator - to examine achievements, balances of various operations and activities, identify policies and measures, and thereby contribute to the formulation of strategic plans
- b) reporting to the diverse stakeholders - it aims to have members, employees, public and other organisations understand correctly the overall operations and activities of the co-operative and encourage them to comment and suggest from objective standpoints.

To date, credit unions in Ireland have relied solely on financial indicators to measure their performance, through use of the CAMEL ratios and only more recently, through the introduction of PEARLS ratios. These ratios measure the Capital Adequacy, Asset Size, Management Quality, Equity ratios, and Liquidity (CAMEL) or Protection, Effective financial structure, Asset quality, Rates of return and cost, Liquidity, and Signs of growth (PEARLS). All of these ratios have long been criticised by activists within the movement for their failure to measure actual management quality or to measure the performance of processes within credit unions, such as leadership, decision-making, member participation and so on. Despite the introduction of social auditing as a method of measuring non-financial

⁴ Hayes (1996) points to a general concern about weak accountability in the voluntary sector in Ireland.

performance in credit unions in Canada, no attempts have been made to measure the performance of Irish credit unions in non-financial terms.

Credit unions in Ireland are ranked in terms of their asset size by the Irish League of Credit Unions. The perception within the movement is that a 'successful' or 'high-performing' credit union is one that maximises asset size, membership, total savings and total borrowings without taking less quantifiable issues such as member service, community involvement, member participation, and so on, into account. While the financial performance is important because credit unions need to measure their performance as businesses, non-financial performance is equally important for organisations such as credit unions that have social as well as economic objectives, not least because a more holistic measure will enable credit unions to differentiate themselves and to show clearly that their activities really do make a difference in the lives of the people they serve (Brown, 2000).

2.4.3 The credit union difference?

Pfimlin (1998) suggests that co-operatives with a growing focus on technical aspects of their business and a reducing focus on social relations (a spirit of solidarity and responsibility among the members and a rich network of human relations) face a very real threat of demutualisation. Trends towards demutualisation of credit unions are already emerging in countries such as Australia, Canada and the United States. Demutualisation threatens the very existence of co-operatives and credit unions by removing ownership and control of the organisation from the members and placing it in the hands of private investors whose main objective is to maximise profits. Experience shows that this inevitably leads to more costly services, leaving the original members with no powers to control service provision and costs.

The principles and structure of credit unions clearly distinguish them from conventional banking institutions (and demutualised organisations), which are investor owned and driven. The clear distinction is not always made obvious by credit unions, however, and has led to difficulties for the Irish credit union movement. A series of attacks has been launched by the conventional banking

institutions against credit unions in Ireland on the grounds of unfair competition, particularly in view of a prevailing favourable taxation environment for credit unions. A number of complaints have been made to the EU on the basis of the competition directives against Irish credit unions (McCarthy et al, 2000). Furthermore, fraudulent activities within the banking sector have spawned the development of a single regulatory authority for all financial institutions in Ireland, including credit unions, known as the Irish Financial Services Regulatory Authority (IFSRA). Representations by the Registrar of Friendly Societies (Report of the Registrar of Friendly Societies, 2000) and the Irish League of Credit Unions to the EU and to the Department of Finance of the Irish government, on both accounts, have had to be made to show how credit unions differ from conventional financial institutions on both economic and social grounds. If, as Kurimoto (2000) suggests, one of the main aims of measuring and reporting co-operative performance is so that members, employees, the public and other organisations understand correctly the co-operative's overall operations and activities, then credit unions might be accused of failing to report their activities fully by only reporting on financial performance. And if, as Kurimoto (2000) suggests, co-operatives differ in nature from profit-oriented organisations and therefore must establish criteria which are different from those of conventional organisations, then credit unions might also be accused of failing to differentiate themselves by only adopting conventional financial performance measures.

One way in which credit unions do strive towards differentiation is by encouraging and enabling members to participate more fully in their operations and management, shaping and influencing the organisation to meet their own needs⁵. This is particularly important in an age of increasing globalisation, where the needs of the individual become secondary to the profit-making motives of large organisations. As Conaty & Mayo (1997:2) assert,

⁵ The credit union movement in the United States has recognised the importance of differentiation in their *Project Differentiation*, which focuses in part on increasing and highlighting voluntary member participation.

"the irony is that economic globalisation and banking centralisation is creating space for community economic initiatives to thrive at a local level".

This is precisely because the increasingly globalised organisation often fails to identify with the needs of the people to whom it sells its products and services.

2.4.4 Effectiveness and participation – towards a hypothesis for this research

Co-operatives, such as credit unions, on the other hand, are organised and managed by the people who need the services they provide. This often requires the participation of the service users in designing appropriate services, as highlighted in Section 2.2. It may also mean that the service users act as volunteers in providing the service. These are basic tenets of co-operative existence. Indeed, Chinman & Wandersman (1999) argue that volunteers are the most important resource of such organisations. However, a question that remains largely unanswered is whether or not organisations, such as co-operatives and credit unions, that enable people to participate, are any more effective than organisations that do not. What is the relationship between participation by members and the effectiveness of the organisation?

Beresford & Croft (1993) and Briscoe & Ward (2000) point to a dilemma whereby the good performance of an organisation is often seen as being incompatible with democracy – that while involving people may be a good idea, it may also be cumbersome and take time. Berry & Roberts (1984) elaborate somewhat on this dilemma for co-operatives:

"Efficient decision-making is essential in any business enterprise. Involvement in decision-making is essential in any co-operative enterprise. The interface between those two premises is often conflict, sometimes harmony, but it is the nub of the question when considering the internal management structures of co-operatives."

Watkins (1986:63) asserts that the success of a co-operative organisation requires *“the careful and precise articulation of their organs of representation and management”* in order to maximise effectiveness. He continues by saying that *“management cannot reach its highest pitch of efficiency unless democracy is also efficient”*. Indeed, Hazen (2000:2) goes so far as to say that *“the relationship between the member and their co-operative will determine the success of the business”*. The Union of Co-operative Enterprises in the UK has stated that *“an involved and active membership is key to a successful and thriving co-operative”* (Co-operatives UK, 2004:4).

Coch & French (1948) cited by Campbell (1977), assert that the basic variable in defining an effective organisation is participation in decision-making or shared power. They found that the extent to which individuals can truly participate in making the decisions that will affect them will impact on the extent to which the organisation will be more effectively equipped to accomplish its mission. Likert (1967:1) asserts that,

“every aspect of a firm’s activities is determined by the competence, motivation, and general effectiveness of its human organization”.

HYPOTHESIS

This study therefore hypothesises that:

because member participation plays a central role in co-operative organisations, such as credit unions, there is a direct relationship between the organisational effectiveness of credit unions and the participation by its members in its activities.

2.5 Overall findings of literature on the relationship between organisational effectiveness and participation

Numerous studies have been conducted on the correlation between various organisational variables and organisational effectiveness, although most seek to examine the impact of boards on effectiveness (Forbes, 1998). A small number of these studies have chosen participation as the organisational variable examined. These have been conducted on conventional, voluntary and co-operative type organisations. In conventional non-voluntary organisations, high performance is reported in organisations with high levels of participation by employees. Locke & Schweiger (1990) summarise a number of research projects that examined the relationship between participative work practices for employees and organisational effectiveness, which show mixed results. McLagan & Nel (1997:42) also summarise a number of research projects that examined the relationship between participative work practices for employees (for example, team work) and financial performance in organisations. They conclude that

“practices in the highest performing organizations across industries are practices that optimise involvement.”

In voluntary organisations, Knoke and Wood (1981) concluded that voluntary participation has no significant impact on organisation effectiveness. Torres (1987), in her research into voluntary organisations, tested the hypothesis that organisational effectiveness will vary directly with member participation in decision-making and the hypothesis that organisational effectiveness will vary directly with membership participation in an organisation’s activities. Neither of these hypotheses was supported by her research. She concluded that participation in decision-making and organisational activities by members of voluntary organisations did not impact on the effectiveness of the organisation. However, she, along with Knoke and Wood (1981), did concede that the type of organisation studied may affect the conclusions reached. Forbes (1998), in a review of 21 empirical studies of organisational effectiveness in non-profit organisations, cites seven studies where a positive correlation was found between board performance

and organisational effectiveness. He cites two further studies that found no such relationship. Another study he cites (Miller, 1981), classified organisations into four categories: effective, efficient, not effective and not efficient. He had found that organisations grouped in each of these categories tended to share the same organisational characteristics, including the presence or absence of participative decision-making processes.

Herman & Renz (1999:113) refer to a number of studies carried out to assess the impact of boards of directors on the effectiveness of non-profit organisations. The overall conclusion is that because voluntary boards play a crucial role in non-profit organisations, they can substantially impact on the effectiveness of these organisations. They conclude that, *“more effective boards will result in more effective organizations”*. Jackson & Holland (1998) show similar results. Hautaluoma et al (1993) find detailed evidence to suggest that there is a strong relationship between the voluntary boards of credit unions and overall credit union effectiveness, although they do not attempt to measure effectiveness against member participation in general.

Kurimoto (2000) identifies the need to develop a method that can be used to analyse the relationship between member/employee participation and business performance in co-operatives and claims that there can be a positive relationship.

2.6 Conclusions

This chapter has examined the background and context of the study and has presented the hypothesis for the research. The next two chapters review in detail the literature pertaining to organisational effectiveness and member participation.

Co-operatives enable their members to meet commonly held needs. The ability of members to get involved in identifying and meeting their own needs is a central part of the co-operative idea. According to the literature, co-operatives which involve their members in this way are likely to have a competitive edge in the market and to perform better overall than co-operatives that do not. Findings of research into the

relationship between effectiveness and participation in various types of organisation to date are mixed. The literature suggests that there is a strong relationship between the effectiveness of an organisation and the effectiveness of its board of directors. Research exploring the relationship between organisational effectiveness and member participation in general has not been undertaken.

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Chapter Three

Defining and measuring organisational effectiveness

The best criteria for assessing organisational effectiveness are unknown. (Cameron & Whetten, 1983a:11)

3.1 Introduction

Organisational effectiveness (OE) is a concept in the literature that has been widely scrutinised, discussed, measured, criticised, praised, despaired of, disagreed upon, and even sometimes, although not often, agreed upon. Ironically, the main area of agreement in the wide OE literature is on the level of disagreement about what it means and on how it can be measured. OE research is plagued with problems. It means different things to different people (Robbins, 1990). Indeed, a student approaching the subject of OE for the first time might well be tempted to abandon it altogether and study something else! However, it is *“precisely the complex and contradictory nature of organizational effectiveness that provides its utility”* (Cameron & Whetten, 1983b:268).

The main problems

“consist of identifying the criteria with which to assess...organizational effectiveness, measuring these criteria, and weighing the various outcomes in order to judge the adequacy of the organizational arrangements to attain the outcomes” (Goodman & Pennings, 1977:2).

Indeed, Cameron & Whetten (1983a:11) go so far as to say that *“the best criteria for assessing organizational effectiveness are unknown”*. However, a more

thorough review of the literature suggests that a multi-dimensional approach should be adopted in order to conduct a “*more comprehensive evaluation of organizations*” (Ostroff, 1993:105).

This chapter discusses the concept of OE, its relevance to organisations, and the many problems associated with its measurement. It concludes by identifying and exploring some techniques used to measure OE in organisations such as co-operatives and credit unions.

3.2 Definitional issues of OE

Given the conceptual complexities of OE, a simple definition is difficult, if not impossible, to provide (Robbins 1990). Nord (1983:95) suggests that

“the definition of organizational effectiveness requires some explicit normative statement about what the organisation should be doing for whom”.

Jackson (1998), referring to Elkin & Molitor (1985/1986), asserts that it is the measure by which an organisation can tell how well it is functioning. Any attempt at definition is further confused by

“the plethora of terms representing effectiveness such as performance, success, ability, efficiency, improvement, productivity, or accountability” (Ridgeway, 1998:82).

Price (1976) asserts that performance is very close in meaning to effectiveness. Indeed, a number of researchers use the terms interchangeably, such as Spray (1976), Evan (1976), Scott (1977), Cameron (1986a), and Daft (1998). Porter (1996) asserts that effectiveness is essential to superior performance. Clearly, the boundaries between the meaning of the terms ‘performance’ and ‘effectiveness’ have been somewhat blurred in the literature. However, it becomes clear from a review of the literature that organisational effectiveness is primarily about

measuring the performance of organisations on a number of different criteria. These criteria have a whole host of different labels such as ‘financial’, ‘social’, ‘economic’, ‘input’ variables, ‘output’ variables and so on.

For the purposes of this thesis, it will be assumed that measuring the effectiveness of an organisation is equivalent to measuring its performance.

3.3 Why study OE?

Why, then, engage in a study of OE? Table 3.1 shows the reasons put forward by Campbell (1977) why anyone should be concerned with OE.

TABLE 3.1

Why study OE?

1.	To decide whether some aspect of a system is in a ‘good’ state or a ‘bad’ state
2.	A ‘diagnosis’ might be required to determine <i>why</i> the system is in the state it is
3.	Planning decisions often have to be made concerning what actions should be taken to change the state of the system
4.	Comparison of organizations is sometimes necessary for public decision-making
5.	Organizational change specialists might wish to use an organizational effectiveness measure to evaluate the effectiveness of the organization development effort
6.	Scientists often wish to rank order organizations on some measure or measures of effectiveness

Accountability and transparency in organisations is also important. Social institutions, in particular, need continuing support to survive and need to show that their activities really make a difference (Torres, 1987). Pratt (1998) highlights the vulnerability of co-operatives and credit unions to demutualisation showing the need for in-depth and sophisticated levels of monitoring. Haines & Al Hasan (1998) point to the need for co-operatives to monitor their performance continually to ensure that they are meeting their objectives and satisfying their stakeholders.

Cooper-Levy (2000), referring to work by Dines & Ziewacz (1999), notes the following reasons to monitor performance in co-operatives:

1. to find out how the co-operative makes a difference to people's lives
2. to communicate co-operative success to policymakers, funders and the public at large
3. to attract new partners and recruit/retain talented staff
4. to strengthen existing services and target effective services for expansion
5. to identify staff training needs
6. to develop and justify budgets
7. to focus board members' attention on long-range issues

OE is being measured in this research to explore its relationship, if any, with member participation. However, member participation must also be measured to determine the forms it takes and their appropriateness for enabling the needs of the members to be met. These issues are discussed throughout Chapter Four.

One of the expected outcomes of this research is that OE criteria can be established for credit unions to enable policy-makers and decision-makers to assess OE in credit unions for any of the reasons listed above by both Price and Cooper-Levy.

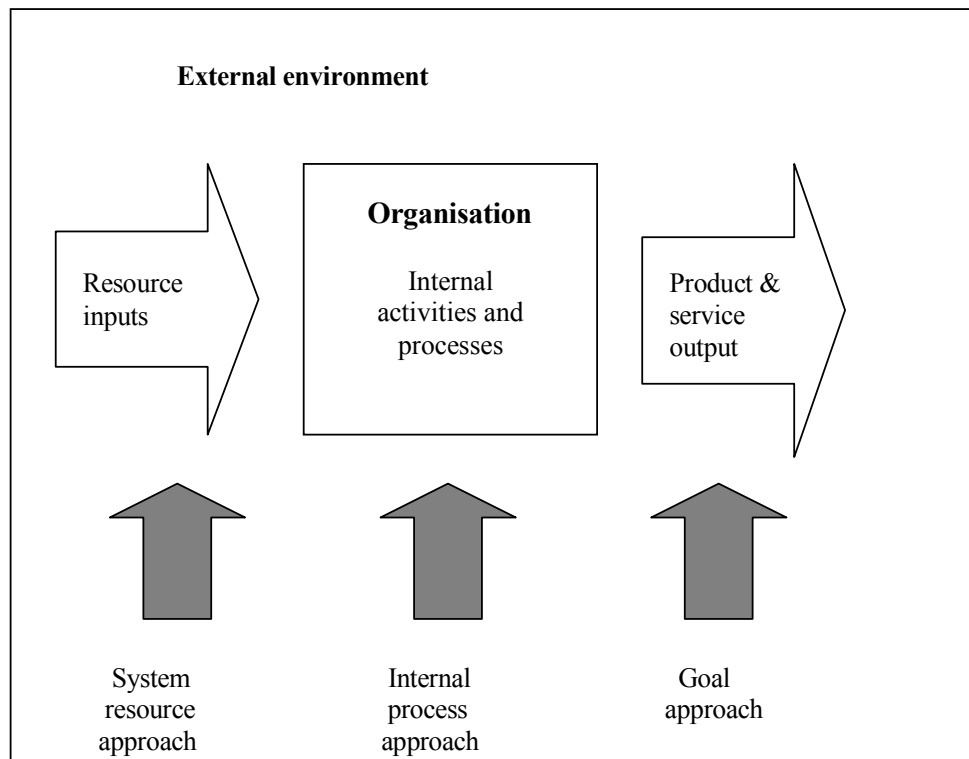
3.4 Approaches to the study of OE

There are a number of approaches to the study of OE, which can generally be classified as either traditional or contemporary. The three main traditional approaches are shown diagrammatically in Figure 3.1 and explained below.

3.4.1 Traditional approaches

FIGURE 3.1

Traditional approaches to measuring OE



Source: Daft R., *Organization Theory and Design*, 6th edition, South-Western College Publishing, Ohio, 1998, p.59

3.4.1.1 Goal attainment approach

This approach has been used extensively and criticised widely. Assuming that organisations are goal-seeking entities, the goal-attainment approach measures OE in terms of the extent to which the organisation achieves or makes progress towards its goals [Etzioni (1964), Kahn (1977), Seashore (1983), Daft (1998)]. However, a number of assumptions must firstly be made (Robbins, 1990):

- a) the organisation has goals
- b) these goals are identifiable and clear enough to be understood
- c) these goals are few enough to be manageable
- d) there is general consensus on what these goals are
- e) progress towards these goals is measurable

Scott (1977:64) states that the concept of goals is “*one of the most complex and controversial topics in organisational theory*”. It is difficult to specify goals [Kahn (1977), Cameron & Whetten (1983a)]. The goal-attainment approach assumes that the organisation serves the goals of the key influentials, such as owners and managers, people who have some control in defining the operative purposes of the organisation (Seashore, 1983). Once the goals are defined, some measurement device must be developed to assess how well the goals have been achieved (Campbell, 1977). For example, if profit-maximisation were the goal of the organisation, measures such as return on investment or return on sales might be used to measure the effectiveness of the organisation in achieving that goal (Robbins, 1990). Management by objectives (MBO) is a common method used to measure goal-attainment. It involves the setting of goals by those involved in the organisation, deciding how they will be achieved, and then measuring actual performance against the stated goals.

However, many difficulties can arise. One of the more prevalent criticisms of the approach is the fact that it measures the outcomes or end results of an organisation and fails to explore the processes or input that helped to achieve the outcome. Furthermore, Kahn (1977:238) points out that

“organisations have many outcomes and researchers must decide which outcomes they propose to measure and what decision rules they will employ for calling any such outcomes ‘effectiveness’.”

Seashore (1983) points out that goals can change in priority, that they are often internally incompatible, that the behaviour of organisations often contradicts

espoused goals, that organisations often survive and develop without attaining their goals, that it is difficult to get people in the organisation to agree on the goals, and that usually organisations act first and then find a goal to justify the action. Cameron & Whetten (1983a) point out that a further difficulty arises when different sets of influentials or constituencies in the organisation have different goals. These sets of goals may even be incompatible. Robbins (1990) points out that actual and espoused goals may differ considerably and short-term and long-term goals may be completely at variance to each other.

Many of the problems associated with the goal-attainment approach can be overcome. Robbins (1990:57) puts forward a number of suggestions such as (1) ensuring that goals are set by all those with influence in the organisation; (2) including goals which become apparent from observed behaviour in the organisation; (3) recognising both long and short term goals; (4) avoiding vague statements about organisational purpose; and (5) remembering that goals change over time. However, Robbins (1990:57) adds that *“there is more to OE than identifying and measuring specific ends”*.

3.4.1.2 The systems approach

Campbell (1976:20) argues that the demands on an organisation are so dynamic and complex that a finite number of goals is difficult to define. Instead, he suggests that in order

“to assess an organisation’s effectiveness, one should try to find out whether an organisation is internally consistent, whether its resources are being judiciously distributed over a wide variety of coping mechanisms, whether it is using up its resources faster than it should and so forth.”

Simply defined, the systems approach examines both the inputs of an organisation, its outputs, and the means by which inputs are transformed into outputs.

The systems approach examines such issues as the relationship with the environment in terms of receipt of inputs and acceptance of outputs, flexibility of

response to environmental change, the efficiency with which inputs are transformed to outputs, conflict, communications and job satisfaction (Robbins 1990). Some of the relationships that are examined include inputs to outputs, transformations to inputs, and changes in inputs to input. The approach assumes that no organisation can stand alone without interaction with its environment. Thus, a key advantage of the approach is its applicability to any type of organisation (Torres, 1987).

Robbins (1990) refers to two applications of the systems approach. The first studied the performance of organisations on ten effectiveness criteria including business volume, devotion to management, youthfulness of members, business mix, workforce growth and member productivity. The second, which is referred to as the 'management audit', analyses the main activities of an organisation to ensure its resources are being maximally utilised. Performance in ten key areas is evaluated, including economic function, health of earnings, research and development, board of directors and production efficiency.

The main problem with the systems approach is that process variables can be extremely difficult to measure. As Robbins (1990:61) states,

“while the terms may carry a layperson’s meaning, the development of valid and reliable measures for tapping their quantity or intensity may not be possible. Whatever measures are used, therefore, may be constantly open to question.”

3.4.1.3 Internal processes approach

The internal process model examines the internal activities of an organisation that indicate its relative health and efficiency (Jackson, 1998). Many proponents of this approach are from the human relations school of organisation theory, such as Argyris (1964) and Likert (1967). These theorists have emphasised the links between human resources and effectiveness. Many managers now believe that participative management approaches are important components of OE (Daft, 1998).

Daft (1998) lists some of the indicators of OE under this approach as shown in Table 3.2.

TABLE 3.2

Indicators of an effective organisation using the internal process approach

1.	Strong corporate culture and positive work climate
2.	Team spirit, group loyalty, and teamwork
3.	Confidence, trust and communication between workers and management
4.	Decision-making near sources of information
5.	Undistorted horizontal and vertical communications; sharing of relevant facts and feelings
6.	Rewards to manager for performance, growth and development of subordinates
7.	Interaction between the organisation and its parts, with conflict resolution

The measurement of economic efficiency is also used to measure the effectiveness of internal processes in organisations, by assessing the cost of inputs, outputs and transformation processes and combining these in various ratios, although it only measures one aspect of an organisation's operations (Daft, 1998). Another example of the application of the approach is the decision process model whereby the decision-making process is examined to determine the effectiveness of the organisation (Jackson 1998).

Daft (1998) is critical of the internal processes approach asserting that many of the measures of OE under this approach are difficult to quantify. He also warns against using economic efficiency as a sole measure of OE.

There may well be a strong argument to make, however, for the use of some combination of the systems approach and the internal processes approach to measure OE in co-operative organisations, such as credit unions. Briscoe & Ward (2005) argue that it is the co-operative *process* within the co-operative organisation,

rather than the structure, that underpins the ability of co-operatives to be effective. This co-operative process is summarised as follows:

“...when the people experiencing ... needs and problems combine with others in a similar situation and get actively involved in the design of organisational strategies that will enable them to solve their own problems and meet their own needs.” p.36

The co-operative process involves activating the users, facilitating mutual aid between the users, and the design of the co-operative by the users for their use, as discussed earlier in section 2.2. Thus, there must be a clear link between the involvement of the users in the co-operative and the effectiveness of that co-operative. Therefore, many of the indicators shown in Table 3.2 may well be relevant for measuring OE in co-operatives.

3.4.2 Contemporary approaches

The contemporary approaches to measuring OE are attempts to integrate the many OE criteria into single frameworks. The two main approaches are the strategic constituencies approach and the competing values approach.

3.4.2.1 The strategic constituencies approach (stakeholder model)

This approach assumes that there are constituencies (or stakeholders) in an organisation's environment from which the organisation requires on-going support to survive and the organisation's performance is measured in terms of how effective it is in satisfying these constituencies. Each constituency has different interests and consequently different effectiveness criteria (Daft, 1998). In a credit union context, an example might be the 'borrowing member constituency' and the 'saving member constituency'. These constituencies hold different economic reasons for membership, implying a certain amount of conflict between them (Taylor, 1971). Both types of member are essential for credit unions. Effectiveness might be measured in terms of the extent to which both of these constituencies are satisfied. Other stakeholders might include employees, suppliers, the government, other credit unions and the wider community.

This approach assumes that organisations are political arenas within which vested interests compete for control over resources and that the goals of the organisation are chosen in response to the constituencies that control the resources needed for survival (Robbins, 1990). One of the key problems with this approach to assessing OE is the difficulty of identifying each of the constituencies (Robbins, 1990). In the case of credit unions, many savers are also borrowers, making it impossible to separate one from the other. Additionally, the fact that each type of stakeholder may have different interests may make an organisation effective to one constituency but ineffective to another. Furthermore, the relationship of the constituency to a co-operative may differ in a number of respects than it would to a more conventional organisation. For example, there may be some categories of constituents who require the on-going support of the co-operative, rather than the other way around, such as those members who depend on the credit union for access to financial services. The credit union may not be dependent on the ‘support’ of such members per se and yet the extent to which the credit union measures the extent to which it meets these members’ needs will be important in determining the effectiveness of the organisation.

Therefore, the model would need some further examination and perhaps, adaptation, if it were to be used in a credit union context. The model is gaining popularity, however, as it measures OE on a multidimensional level, taking an organisation’s many stakeholders into account (Daft, 1998).

3.4.2.2 The competing values approach

Schumacher (1973:212) states that organisations that pursue viability while also pursuing “*higher social aims*” must cope with many competing demands and face numerous dilemmas. Briscoe & Ward (2000:61-63) identify some of the *dilemmas* that arise in co-operatives which by their nature, pursue higher social aims. These include:

- democratic control versus efficient management: people often view democracy as hindering efficient management processes due to slowness in decision-making, poorly qualified decision-makers, and so on,
- openness versus equity dilution: allowing new members to join is important for viability but admitting new members may dilute the equity of the existing members and
- raising finance to expand the business versus rewarding members for their use of the co-operative: co-operatives are required under their principles to distribute profits to the members according to their use of the co-operative, but profits are often needed to develop the business.

Quinn & Rohrbaugh (1981, 1983) have undertaken work in developing the competing values approach in a conventional organisation context. They state that the various stakeholders of an organisation assess their organisation on different types of effectiveness criteria. These criteria, many of which are discussed in section 3.6 of this chapter, are basically incompatible, or represent *competing values* of the organisation. Three main sets of competing values in organisations are recognised (Robbins 1990):

- flexibility versus stability: where flexibility represents a value of adaptation and change and stability favours order and control,
- means versus ends: where means emphasise internal process and ends the final outcomes and
- people versus the organisation: where the emphasis is either on the well-being and development of people in the organisation or of the organisation itself.

These kinds of dilemmas are not dissimilar to some of those faced by co-operatives. Co-operatives also have different sets of stakeholders whose interests in the organisation may differ. For example, in a credit union context, some of the interests of savers often differ to those of borrowers: savers will want to receive a maximum return on their savings while borrowers will want to pay the lowest

possible rate of interest on loans. And in many cases, savers are also borrowers, potentially leading to personal dilemmas for individuals.

According to the competing values approach, the combination of the values held by the various constituencies in an organisation will point to the type of effectiveness model that might be used to assess OE. For example, an organisation with constituencies that value stability, ends and organisation would use the rational goal model in its assessment of OE. An organisation with constituencies that emphasise people, control and means would use the internal process model.

This approach to measuring OE requires that the constituencies in the organisation must first be identified. Each constituency must then be asked to identify the importance they place on each combination of values. This gives the organisation insights into what values are perceived as important and guides the organisation in deciding which model of OE to pursue in order to satisfy its constituencies.

This method of measuring OE recognises the need for a multi-dimensional approach. Robbins (1990) and Daft (1998) point out, however, that the values of constituencies may change over time and different OE criteria might be used at different stages in the organisational life-cycle.

3.5 What approach should be used to assess OE?

Cameron (1986b) goes to the trouble of presenting the organisational circumstances in which different models of OE should be applied. He points out that

“different models of effectiveness are useful for research in different circumstances...No model covers all contingencies or applies to all settings. Each has its own focus and strengths...debates about which model of effectiveness is best or right are largely beside the point, therefore, because models are more likely to complement one another than supplant one another” Cameron (1986b:541).

In an earlier piece of work, Cameron & Whetten (1983a) assert that no one model captures the full construct of effectiveness, and that, although each model is useful in its own right, none has enough power to supersede any other.

Cameron (1986b:542) concludes that the main challenge faced by researchers of OE is in determining which criteria to use in assessing the effectiveness of an organisation. Table 3.3 presents a summary of his assertions regarding the use of each model of OE.

TABLE 3.3
Models of organisational effectiveness

Model	Definition	When Useful
	<i>An organisation is effective to the extent that...</i>	<i>The model is most preferred when...</i>
Goal attainment	It accomplishes its stated goals.	Goals are clear, consensual time-bound, measurable.
Systems	It acquires needed resources.	A clear connection exists between inputs and performance.
Strategic constituencies	All strategic constituencies are at least minimally satisfied.	Constituencies have powerful influence on the organisation, and it has to respond to demands.
Competing values	The emphasis on the criteria used meets constituency preferences.	The organisation is unclear about its own criteria, or change in criteria over time are of interest.
Internal process	It has an absence of internal strain with smooth internal functioning.	A clear connection exists between organisational processes and performance.

Source: Cameron, K., *Effectiveness as Paradox*, Management Science, Vol. 32, No. 5, May 1986b, p.542

Ostroff (1993:105) states that organisation literature points to the need for a multi-dimensional approach to measuring OE asserting that “*multiple domains of effectiveness*” and “*a multitude of effectiveness criteria measures*” are necessary. To say that an organisation is effective or ineffective is inadequate because effectiveness is not *one* thing: it is multidimensional, meaning an organisation can be effective or ineffective on a number of different issues (Campbell 1977:18, Pennings & Goodman 1977:165).

Despite the many models, researchers end up selecting criteria that are convenient (Goodman & Pennings, 1980) and, as Ridgeway (1998) points out, make assumptions about organisations, adopt limited definitions of effectiveness and get on with their research.

3.6 Possible OE criteria

It is useful at this point in the literature review to examine the different types of criteria used by various researchers in measuring OE. Some criteria are purely financial in their orientation, and therefore, relatively easy to quantify, such as profitability and return on investment measures. Others are less easy to quantify. Kahn (1977) points to the “*discouragingly large number*” of variables used to measure OE. Campbell (1976) lists the criteria that emerge from the literature, as shown in Table 3.4.

As Robbins (1990) points out, some of these criteria are even contradictory, highlighting the diversity of organisations being assessed, and the varying interests of those doing the assessment. Furthermore, an organisation can be effective on some criteria and ineffective on others. Whatever criteria are chosen, any measure of OE should be considered a partial representation of a transient phenomenon (Seashore 1983).

3.7 Different views of OE criteria

Dubin (1976) argues that there are two ways to view OE: the inside view, which examines the extent to which resources are utilised efficiently (operating efficiency, such as return on investment), or the outside view, which considers the output or social utility, for which the social audit might be employed to measure. He asserts that the two meanings of OE cannot be reconciled but in certain circumstances can both be used together to determine an organisation's efficiency.

OE criteria may also be considered in terms of subjective measures and objective measures. Subjective measures, or perceptual data, provide a broad set of OE criteria and reflect the perceptions of an organisation's constituencies on what effectiveness is or should be. However, such measures may often be biased or dishonest (Cameron & Whetten, 1983b)

TABLE 3.4

Possible OE criteria

<ul style="list-style-type: none"> • Overall effectiveness • Productivity • Efficiency • Profit • Quality • Accidents • Growth • Absenteeism • Turnover • Satisfaction • Motivation • Morale • Stability • Value of human resources • Training and development emphasis 	<ul style="list-style-type: none"> • Control • Conflict/cohesion • Flexibility • Planning and goal consensus • Role and norm congruence • Managerial interpersonal skills • Managerial task skills • Information management and communication • Readiness • Utilization of environment • Evaluations by external agencies • Internalisation of goals • Participation and shared influence • Achievement emphasis
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Source: Campbell J. P., Contributions research can make, in Spray S. L., *Organizational Effectiveness: Theory-Research-Utilization*, Kent State U.P., 1976, p.36

Some researchers, rejecting subjective measures as unreliable, use standard economic indicators, such as net profit, return on investment and earnings per share, to measure OE (Evan 1976). These are considered to be objective data and are easily quantifiable and represent the actual organisational position, although may be narrow in scope (Cameron & Whetten, 1983b). Such data is usually gathered only on *official* OE criteria or on criteria used for public image purposes (Cameron & Whetten, 1983b) and often indicate financial performance of organisations alone. Evan (1976:25) criticises the emphasis of objective data on economic measures for neglecting to measure organisational processes:

“Such measures as earnings per share, return on investment, and profit as a percentage of sales emphasize output or relation between input and output; however, they ignore transformation processes and feedback effect.”

Argyris (1964) points out that financial procedures alone do not take human dimensions into account and do not enable organisations to be sensitive to the human costs element. Hayes (1996), quoting Jones & Pendlebury (1985), asserts that traditional accounting in non-profit organisations reveals little about the effectiveness of those organisations.

Evan (1976), Kaplan & Norton (1996) and Hyndman et al (2004) argue that a combination of financial and non-financial approaches should be taken to measuring OE in order to provide a better picture of the organisational performance. Evan (1976) argues that

“unless subjective ratings of OE are consistently and significantly associated with unobtrusive measures of an objective nature, there is little reason to accept them as either reliable or valid.”

Furthermore, Cameron & Whetten (1983b) point out that an organisation might be deemed to be effective on objective data while, at same time, ineffective on

subjective data, or vice versa, strengthening the argument for a combination of approaches. Previous attempts to find a convergence between the two types of measures have had mixed results. Lawrence and Lorsch (1967) found that subjective measures were highly correlated with the total performance of the organisation, while Pennings (1973) found no such correlation.

Cameron & Whetten (1983b) assert that the complexity of effectiveness makes it inappropriate to rely on univariate measures of OE. Furthermore, the criteria chosen should match the organisational setting and must be central to the preference and values of individuals within the organisation. The criteria used “*must be important to someone*” (Cameron & Whetten 1983b:269). If the criteria chosen reflect the sentiments of those within the organisation and not those of the researcher, researcher bias is considerably reduced.

3.8 Which criteria should be used?

Perrow (1977), Kahn (1977) and Taylor et al (1996) argue for the use of criteria more specific to the type of organisation being examined, although problems might be experienced in generalising these criteria across other types of organisation. Campbell (1976:42) presents a particular technique for determining OE criteria which he labels the “*critical incident methodology*”. Using this methodology, OE is defined by “*what the relevant parties decide that it should be*”. Different sets of people, affected by the organisation, or “*groups of judges*”, are asked to

“generate specific examples of events that occurred in their organisation which cause them to think that the organisation is in a good or a bad state. Using different sets of observers (e.g. management, staff, etc) and different methodologies would be a source of valuable comparative data.”

This is consistent with the work of Cockerill and Pickering (1984), as described by Hind (1999), who assert that the indicators that best measure performance depend on what stake the assessor holds in the organisation. For example, customers might well choose prices, quality, after-sales service and new product development as

indicators of performance while employees may choose employment security, employment levels and growth as indicators of performance. The approach is also adopted by Jackson & Holland (1998) to measure the effectiveness of the boards of nonprofit organisations.

Forbes (1998:184) also describes a similar approach, known as the

“reputational approach, which associates effectiveness with the reported opinions of key persons, such as clients or service professionals”.

This approach measures effectiveness according to the opinions of a set of persons such as clients, staff or outside professionals who are familiar with the organisations being studied.

3.9 Guidelines for assessing OE

Cameron & Whetten (1983b) present a set of questions or guides to be answered in every project attempting to define, assess or improve OE.

Guide 1: From whose perspective is effectiveness being judged?

Researchers must make explicit whose viewpoint is being adopted to define effectiveness criteria. Different constituencies within the organisation will have different sets of criteria, so the specific viewpoint must be made explicit.

Guide 2: On what domain of activity is the judgment focused?

The domain or domains of activity must be specified because no organisation can be deemed to be maximally effective in each of its domains.

Guide 3: What level of analysis is being used?

Effectiveness can be measured at a number of different levels, such as the individual level, the subunit level, the organisational level, the industry level or the societal level. Researchers must specify which level is being examined because effectiveness at each level may differ.

Guide 4: What is the purpose for judging effectiveness?

The purpose of the evaluation must be made known as it will have a bearing on what sources of information should be used, the level of co-operation that will be received and on the type of assessment strategy used.

Guide 5: What time frame is being employed?

An organisation that is effective in the long-term on certain criteria may be ineffective on the same criteria in the short-term. Therefore the timeframe of the assessment needs to be stated.

Guide 6: What type of data is being used for judgements of effectiveness?

A decision must be made on whether objective or subjective data, or a combination of both, will be used.

Guide 7: What is the referent against which effectiveness is judged?

The standard against which the effectiveness of the organisation shall be judged must be decided. One alternative is to compare the performance of the organisation on the chosen indicators with the stated goals of the organisation. Another is to compare the performance of different organisations on the same criteria.

Answers to each of these questions must be made clear if there is to be any consistency between OE studies.

The remainder of this chapter examines the issue of organisational effectiveness and the means used to measure organisational performance in *co-operative* organisations such as credit unions.

3.10 Performance measurement in co-operatives and credit unions

Attempts to measure performance in co-operatives and credit unions to date have not appeared to focus explicitly on any particular theory or approach to OE. It is accepted in the co-operative literature that performance measurement is essential

for co-operatives [Garoyan & Mohn (1984), Hind (1996), Parnell (1999), Pratt (1999), Hyndman et al (2004)]. However, there appears to be little consistency across the approaches being put forward and adopted. Some of the more recent approaches adopted include Hind (1996), who measures organisational performance using both financial data and member benefit measurements, Kurimoto (2000), who measures performance on a number of key areas, such as management efficiency, solidarity and participation, and democracy, Haines & Al Hasan (1998) who advocate benchmarking techniques, and Brown (2000) who adopts a social audit approach. The main attempt at measuring OE, and using the specific term 'organisational effectiveness' in credit unions, is undertaken by Hautaluoma et al (1993).

This section will present the different methods used to evaluate co-operative and credit union performance.

3.10.1 Measuring co-operative performance

Garoyan & Mohn (1984:5) suggest that there are three categories for measuring co-operative performance:

1. economic performance
2. performance as co-operative organisations
3. social performance

However, it should be noted that they do not propose any specific measures for these categories. Each of these categories are explained as follows:

1. As an economic/business entity

Co-operatives, including credit unions, are businesses, just as any commercial firms. They face the same economic conditions as any business. Thus, in measuring performance as a business, co-operatives should take into account such issues as pricing, financing, marketing, consumer considerations and public considerations as indicators of performance.

2. As a co-operative organisation

Co-operatives, including credit unions, should be measured on the performance of their co-operative characteristics, those characteristics that distinguish them from conventional organisations (as discussed in section 2.2). The performance of *structural* elements of the co-operative, such as membership commitment, education, co-operation with other co-operatives, openness to members, and democratic control processes would have to be measured. So too would *process* elements, such as member participation, fair distribution of surplus, sharing of risks, costs and benefits, extent to which members have a voice and control in decision-making and leadership development.

3. As a social organisation

Co-operatives and credit unions are economic and social organisations and therefore some measure of social performance is essential for a balanced view of performance. The performance of co-operatives should be measured in terms of education, social development of members, contributions to the international development of co-operation, participation in community activities, and compliance with environmental regulations.

Hind (1996) makes a similar argument, stating that three types of performance must be considered:

- a) conventional corporate performance
- b) member benefit performance
- c) social performance

Co-operatives have usefully employed a number of separate techniques to measure these different aspects of performance. However, these techniques are rarely combined and most emphasise only one aspect of the co-operative's performance.

Pestoff (1995b:5) argues that few 'contracts' between a co-operative and its stakeholders are strictly financial and "*involve different degrees of non-financial or social responsibility and accountability. The responsibility of accountability arising*

from such actions cannot be completely discharged through financial measures of performance". He states that the extent to which a co-operative has met its non-financial responsibilities is rarely measured.

The EURO COOP Report (1999:2) re-iterates this point, stating that *"financial reports of an organisation do not represent the other characteristics of co-operatives; social inclusion and member and consumer benefits, which, in themselves, are crucial to the economic success of the co-operative."*

Indicators of economic performance seem to be well-developed in general. Credit unions have already developed a detailed series of financial indicators that measure their financial or economic performance as business entities. Measures of non-financial or non-economic performance such as performance as a co-operative or social performance are not as well developed but do exist.

3.10.2 Financial measures

As examples, a large variety of techniques are used throughout the literature to measure aspects of the economic or financial performance of co-operatives and credit unions.

For example, Hind (1996) uses conventional corporate measures such as profitability, efficiency, and financial and liquidity measures of UK agricultural co-operative performance⁶. Koot (1978), Wolken & Navratil (1980a), Murray & White (1983) and Kim (1986), among others, use measures of economies of scale in North American credit unions. Fergusson and McKillop (1997) use operational efficiency measures of credit union performance in the UK. Fried & Knox Lovell (1993) advocate the use of radial efficiency measures in credit unions. In their work, credit union performance is measured in terms of the use of resources in service provision by credit unions. A high-performing credit union is one which is incapable of increasing its services without necessitating an increase in resources. Financial data, primarily, are used to provide radial efficiency measures.

⁶ These measures are combined with non-financial measures as discussed later in this chapter.

In practice at the time this research was carried out, Irish credit unions used CAMEL (**C**apital Adequacy, **A**sset Quality, **M**anagement Quality, **E**arning and Operating Efficiency, **L**iquidity) ratios to measure existing financial performance and to predict future financial performance. These ratios were also used to benchmark credit union performance against industry norms. This has, since 2003, been replaced by PEARLS ratios (**P**rotection, **E**ffective financial structure, **A**sset quality, **R**ates of return and cost, **L**iquidity, **S**igns of growth). Although the methods used to collect and analyse information, PEARLS ratios take growth factors into account, where CAMEL did not⁷.

Financial information is drawn from the balance sheets, income and expenditure accounts and the cash flow statements and used together with bad debts information to calculate a number of financial ratios, similar to the types of ratios used in conventional banking circles. These provide a measure of financial performance for credit unions. There were 17 CAMEL ratios in total, each having an acceptable norm value which is weighted according to its overall importance. If the norm value is reached for each ratio, a credit union receives a total score of 83. If the acceptable norm is exceeded for any ratio measured, a bonus score is awarded. The maximum number of bonus scores is 17, one for each ratio. Therefore a maximum potential score is 100 (83 + 17). The scores are allotted as per Table 3.5.

⁷ As CAMEL ratios were in use when primary data was being collected, CAMEL ratios are described and used. Readers should note, however, that the PEARLS ratios are now in widespread use and CAMEL ratios are now redundant.

TABLE 3.5**CAMEL ratios and corresponding total scores**

Ratio	Total score
Capital adequacy (6 ratios)	32 + 6 bonus points = 38
Asset quality (4 ratios)	16 + 4 bonus points = 20
Management quality (no ratios)	= 0
Earning and operating efficiency (3 ratios)	18 + 3 bonus points = 21
Liquidity (4 ratios)	17 + 4 bonus points = 21
	100

Capital adequacy ratios measure solvency and a credit union's general ability to meet any claims on assets, such as the funding of new services, delinquent loans and bad debts. There are six capital adequacy ratios as follows:

	Acceptable norm %	Score
C1 Reserves + undivided earnings/total assets (i.e., equity to assets ratio, or capital ratio)	8	6
C2 Solvency indicator	108	8
C3 Total reserves + delinquent loan provision + undivided earnings/total gross loans (i.e., reserves to loan ratio)	10	5

C4	Net loans over 13 weeks in arrears/ total reserves + delinquent loan provision + undivided earnings (i.e., loan arrears to reserves ratio)	30	4
C5	Actual provision/delinquent loan provision required (i.e., delinquent loans to loan provision ratio)	100	4
C6	Statutory reserves/savings (i.e., reserves to savings ratio)	9	5

The **asset quality** ratios assess risks to assets such as loans and investments. These consist of 4 ratios as follows:

		Acceptable norm %	Score
A1	Delinquent loan provision required/ total gross loans (i.e., loan delinquency ratio)	2	5
A2	Fixed assets/total assets (i.e., non-earning assets ratio)	6	4
A3	Delinquent loans/ Total gross loans (i.e., provision for loan delinquency ratio)	1.5	4
A4	Loans written off less recovered/ Previous year balance (i.e., bad and doubtful debts ratio)	3	3

The three **earning and operating ratios** compare income and expenditure and assets.

		Acceptable norm %	Score
E1	Total income/total gross assets (i.e., return on assets ratio)	10	7
E2	Loan interest/average gross loans (i.e., loan yield ratio)	12	5
E3	Total operating expenses/total income (i.e., operating efficiency ratio)	43	6

The Liquidity ratios measure a credit union's ability to meet demands for funds and are measured by the following 4 ratios:

L1	Total gross loans + deposits (i.e., loans to savings ratio)	80	2
L2	Liquid assets (cash + investments)/ total assets (i.e., liquid assets ratio)	6	4
L3	Liquid assets/unattached shares (i.e., cash to uncommitted savings ratio)	10	6
L4	Average loan duration (months)	18	5

CAMEL ratios had long been accepted as a reasonably reliable way to measure a credit union's performance. They provided a thorough analysis of financial performance and a significant advantage was that they provided a consistent measure across credit unions on the same criteria.

However, the use of CAMEL ratios had also long been criticised for neglecting to provide any measure of 'Management Quality'. Therefore, although CAMEL ratios did acknowledge the relevance of the management process as an indication of overall performance, there was no systematic measure in place. Furthermore, there had been more recent difficulties with CAMEL ratios because of loan interest rate reductions by credit unions. These reductions resulted in a drop in credit union income, thereby having a knock-on effect on the Earning and Operating ratios. Since credit union loan interest rates vary between credit unions, it is virtually impossible to standardise the measure across credit unions as it currently stands. Extensions to the loan duration permitted under the 1997 Credit Union Act, which allows loans of over 5 years, previously not allowed, also had an effect on the L4 ratio and raised questions about the realism of the 18-month ideal loan duration. Extended loan durations also affect credit union income, both positively and negatively, thereby affecting the Earning and Operating ratios and possibly having an impact on loan delinquency.

Despite difficulties with the CAMEL ratios, they were still used as a measure of financial performance, although they had become somewhat crude. A motion was passed at the 2000 AGM of the ILCU that the CAMEL ratios, as composed above, would no longer be used to measure credit union performance in Ireland. Because replacing the ratios was no easy task (due to the necessity to make structural changes to the credit union balance sheet), CAMEL remained in force until 2003 to monitor credit union performance.

PEARLS, the alternative financial measurement system has been developed by WOCCU (Richardson 2001) which largely mirrors CAMEL but also takes factors such as growth into consideration. PEARLS (**P**rotection, **E**ffective financial structure, **A**sset quality, **R**ates of return and cost, **L**iquidity, **S**igns of growth) is

comprised of 45 quantitative indicators. Management quality is said to be measured implicitly by a review of the results of the measures: the better the results, the better the management quality. The PEARLS system has only recently been adopted by Irish credit unions.

3.10.3 Non-financial measures

The main non-financial measurement process being put forward and being adopted by some co-operatives is the social audit (also referred to as ‘social accounting’ or ‘social reporting’ or ‘social and ethical accounting, auditing and reporting’) [Brown (2000), Kurimoto (2000), EURO COOP (1999), McLean & MacKinnon (2000), Evans et al (1998), Gonella et al (1998), Spear (1998), Pearce (1993), Fairbairn et al (1991)]. Another measure suggested for co-operatives is ‘benchmarking’ (Haines & Al Hasan, 1998).

3.10.3.1 Social auditing (or social accounting/reporting⁸)

Social auditing is an attempt to measure the non-financial (or social and/or environmental and/or ethical) performance of an organisation [EURO COOP (1999)]. It is a “*systematic approach for organizations who want to account for their social impact*” [Evans et al (1998:28)] and enables organisations to account for their social performance as well as report on and improve that performance [Brown (2000), Pearce et al (no date)]. For co-operatives, it may also mean measuring the extent of adherence to principles and ideals [EURO COOP (1999)].

Social auditing typically involves the steps outlined in Table 3.6.

⁸ Social accounting is the process by which organisations *account* for their social performance. A social report is an *unaudited report* on an organisation’s social performance.

TABLE 3.6**Steps involved in social auditing**

Step One	Defining social and other non-commercial objectives and actions for meeting them
Step Two	Identifying stakeholders and setting criteria
Step Three	Identifying indicators and benchmarks
Step Four	Social accounting/book-keeping
Step Five	Analysis and interpretation of information gathered
Step Six	External verification/audit
Step Seven	Disclosure of social audit, communicating findings and acting on the results

Source: Adapted from Pearce J., Raynard P. & Zadek S., *Social Auditing for Small Organisations: A workbook for trainers and practitioners*, New Economics Foundation, London, no date

Fairbairn et al (1991) argue that social audits should also include measures of financial performance in order to integrate social and economic objectives. They argue that the social objectives of co-operatives can be categorised as in Table 3.7.

An increasing number of organisations are engaging in the social auditing process, a process that is by no means confined to co-operative organisations. The Body Shop, The Shell Incorporation, British Telecom and Ben and Jerry's are just some of the conventional organisations that have conducted social audits. Some co-operatives and credit unions have also conducted social audits, primarily in the UK and Canada where social audit advocacy organisations are more prominent. Examples include VanCity Credit Union and Metro Savings Credit Union in Canada and The Co-operative Bank in the UK. To date, Irish credit unions have not conducted social audits.

TABLE 3.7**Categories of Social Objectives in Co-operatives**

Decision-making approach and structure	Educational, consultative processes involving members, employees and other stakeholders
Product or service performance	Quality, pricing, innovation, consumer protection, and marketing
Use of human resources	Recruitment, training, promotion, working conditions etc of employees, elected officials and members
Community involvement	General philanthropy, involvement in local community planning and improvement, developing local co-operatives, regional development, relations with government agencies, social and economic needs of disadvantaged groups
Environmental impact	Impact on the environment in terms of the scope and type of operations
Economic performance	Traditional financial concerns and indicators

Source: Adapted from Fairbairn B. et al, *Co-operative and Community Development: Economics in Social Perspective*, Centre for the Study of Co-operatives, Saskatchewan, 1991

The Report of the Co-operative Commission (2001) in the UK recommended the development of a standard system for social auditing and reporting so that there could be consistency in social reporting across co-operatives. It called for key social performance indicators to be established in order to monitor the co-operative and social performance of individual co-operatives.

Pestoff (1995b:5) asserts that social auditing is “*particularly relevant for co-operatives...which normally have clear social goals in addition to those of economic survival*”. According to Brown (2000) the social audit promotes a sense of co-operative difference among the members and builds a positive image. She also asserts that social auditing is particularly relevant to co-operative organisations “*because social responsibility is built into their mission*” and goes so far as to say that it is “*not just good sense - it is arguably essential. It takes up where the*

conventional financial audit leaves off” (Brown, 2000:88-89). Pestoff (1991; 1995b) argues that the social audit may help to prevent the focus of co-operative organisations from being on the economic side of their operations and may help to encourage a greater focus on the democratic and community side of their activities. Spear (1998) argues that the social audit may give co-operatives a competitive advantage.

According to Briscoe & Ward (2002), there are three main approaches to conducting social audits in co-operatives:

- Identifying specific benefits and services to be provided for members
- Setting objectives for each of the seven co-operative principles
- Setting objectives for meeting the needs of each of the major stakeholder groups

Table 3.8 summarises some of the reasons for conducting social audits in co-operatives, according to Pestoff (1995b).

TABLE 3.8**Reasons for conducting social auditing in co-operatives**

1. To articulate and communicate the main social achievements of social co-operatives to several strategic groups or environments
2. To specify and promote the guiding principles for the operation of co-operatives
3. To specify which specific items of local economic democracy are promoted by the co-operative
4. To provide a basis for judging and holding social co-operatives accountable for the results, or lack thereof, of their activities
5. To facilitate the participation of strategic groups in the operations and decision-making of co-operatives
6. To obtain the loyalty and augment the legitimacy of co-operatives in their strategic groups and environments
7. To meet the changing needs of the co-operative's strategic groups and environments
8. To prevent the dominance of a single goal or value of the co-operative at the expense of its other goals
9. To facilitate the promotion of long-term goals and basic values of co-operatives, as opposed to their short-term or day-to-day goals, by providing them with instruments for keeping these long-term goals and values in constant sight

Source: Pestoff V., Goal Deflection, Voluntary Failure and Social Accounting for Co-operatives and Nonprofit Organizations, unpublished paper to the Workshop in Accounting in its Organizational and Social Context, Brussels, September 14-16, 1995b

3.10.3.2 Benchmarking

Another non-financial co-operative performance measurement technique (although not used exclusively by co-operative organisations) advocated by Haines & Al Hasan (1998), is benchmarking, which involves an examination of best practice of competitors enabling improvements to be made for the future. CAMEL is a financial version of this technique. Haines & Al Hasan use this approach to measure the performance of Welsh co-operatives from a human resources perspective. This was carried out by measuring the co-operatives' performance in terms of service quality against that of a non-co-operative competitor. It was designed to enable co-operatives to identify any possible gaps between the

expectations and satisfaction of the customer/member and to enable improvements to be made for the future.

3.10.4 Combinations of financial and non-financial measures

3.10.4.1 Co-operatives in general

Parnell (1999) discusses the problem experienced by many co-operatives in being forced to adopt conventional approaches to accounting for their performance, namely financial accounts. He argues that co-operatives need *also* to report on the benefits delivered by the co-operative to their members and stresses that these should not be limited to financial benefits. Member benefits must firstly be defined. Member benefits, for example, might be defined in terms of the extent to which the members can obtain a service or range of services from the co-operative of a quality and standard that could not be obtained elsewhere. The provision of this kind of service might adversely affect the level of profits, say, by increasing costs. Using profit alone as a measure of the performance of the co-operative in this case would not adequately reflect its performance because it ignores the benefits received by the member. He warns against the use of a single measure of member benefit.

Kurimoto (2000) describes the techniques used in a Japanese co-operative (Co-op Kobe) to measure performance. This co-operative developed its own criteria that would evaluate both 'business/enterprise' and 'association/membership' aspects of performance. Thus, both quantitative and qualitative criteria were used. The evaluation vectors adopted were 'Co-operative Basic Values', primarily qualitative in nature, and 'Business Operations Basis', primarily quantitative in nature and drawing heavily, although not entirely, on financial accounting data. The basic co-operative values were based on those issued in the 1995 International Co-operative Alliance Statement on Co-operative Identity; namely, self-help, democracy, equality, equity and solidarity. The business operations basis was defined as 'the precondition to support the fulfilment' of the values.

The two vectors cluster six evaluation criteria. Co-operative Basic Values includes 'Honest and Caring Services', 'Participation and Democracy', 'Social

Responsibility and Fairness’, and ‘Autonomy and Solidarity’, while Business Operations Basis takes in ‘Management Efficiency’, and ‘Future Potential’ (Kurimoto, 2000). Five items are evaluated under each of the evaluation criteria. Table 3.9 displays the breakdown of these items.

TABLE 3.9
Evaluation Criteria

<i>Vectors</i>	<i>Co-operative Basic Values</i>			<i>Business Operations Basis</i>		
Indicators	Honest and caring services	Participation and Democracy	Social responsibility and fairness	Autonomy and solidarity	Management efficiency	Future potential
Items to be evaluated	Shopping convenience	Participation in decision-making	Involvement in welfare issues	Solidarity among co-ops	Profitability	Financial resource base
1	Economic benefits	Policy implementation	Involvement in environmental issues	Solidarity among members	Effective use of capital	Organisational base
2	Product availability	Participation in everyday activities	Involvement in the local community	Members' education	Effective use of labour	Growth potential
3	Product safety and reliability	Reflecting members' views	Fair governance	Employees' education	Management stability	Investment in assets
4	Customer reception	Reflecting employees' views	Fair treatment of employees	Co-op's autonomy	Efficiency of operations	Human resource base
5						

Hind (1996) identified eight performance variables/co-operative goals for agricultural co-operatives from literature and from questioning co-operative stakeholders. These centred on corporate centred goals and member-centred goals. Social goals did not appear to be widely accepted by stakeholders. She then measured the performance of agricultural co-operatives based on the eight goals shown in Table 3.10.

TABLE 3.10**Co-operative Performance Goals**

Member-centred goals	Corporate-centred goals
A business which gives the best deal to members	A business which maximises profit
A business which pays maximum dividends to members	A business which is financially secure
A business which pays a maximum bonus on trade	A business with a good image in the industry
A business in which the member can participate in decision-making	A business which goes for growth

Co-operatives UK Ltd., the union of co-operative enterprises in the UK, has developed its own ‘key social and co-operative performance indicators’. These are member economic involvement, member democratic participation, participation of employees and members in training and education, staff injury and absentee rates, staff profile – gender and ethnicity, customer satisfaction, consideration of ethical issues in procurement and investment decisions, investment in community and co-operative initiatives, net carbon dioxide emissions arising from operations, and proportion of waste recycled/reused (Co-operatives UK, 2004).

3.10.4.2 Credit unions

Kolodinsky et al (2001:3) attempt to measure the *impact* of credit unions on their membership, which they define broadly as “*how membership in the credit union changes lives*”. The main measure they use is an accumulation of member wealth.

Hautaluoma et al (1993:14-15) conducted the only known study of credit union effectiveness *per se*, based on the US credit union movement, and used nine effectiveness dimensions:

1. CAMEL scores

The individual and overall CAMEL scores were used to provide an indication of the financial effectiveness of a credit union.

2. Service satisfaction

This dimension measured the extent to which members were satisfied with services, had few complaints, recommended the credit union to others, and the degree to which staff members went “*the extra mile to give good service*”.

3. Public image

This measured the extent to which a credit union had a good public image, was respected in its community, and was seen as being a good credit union by other credit unions.

4. Growth

This was measured in terms of new business, penetration into the common bond and the expansion of financial products being offered.

5. Willingness to improve

This was used to measure how a credit union tries to find out what its members think about the services offered, how open it is to new ideas, looks for new ways to improve, changes with the times, uses modern management methods and sets challenging goals.

6. Staff morale

This measured the pride and satisfaction of the staff, the retention of good staff, and the support of staff members to one another.

7. Participative management

This was a measure of staff participation in decision-making and organisational issues.

8. Comparison to competitors

This score measured the extent to which a credit union gave better value and services to its members than competitors did.

9. Overall effectiveness

This measured whether a credit union was an effective organisation, was making good progress, achieving its mission and realising its potential.

These effectiveness criteria were determined through consultation with credit union CEOs, directors and staff and with credit union experts by means of general discussions and focus group meetings. As Hautaluoma et al conducted their work in the US, where credit unions are considerably larger than in Ireland, face different regulation and legislative provisions, provide a much larger range of services and have far greater opportunities to grow (Ferguson & McKillop, 1997), it is not clear if these OE criteria are appropriate to credit unions in an Irish context.

3.11 Conclusions from the literature and research questions

This chapter has reviewed conventional organisation theory about measurements of OE. It was determined from the literature that the terms ‘effectiveness’ and ‘performance’ are used interchangeably. Literature referring to both performance and effectiveness in co-operatives, including credit unions was then reviewed and the types of measurement techniques adopted in theory and practice were explored. The following conclusions about OE can be made:

- a) **There is no clear definition of what constitutes OE/performance.** The criteria used for measuring OE/performance often differ depending on who is conducting the evaluation of the organisation, what type of organisation is being evaluated, and who the evaluation is for.
- b) **A multidimensional approach is necessary**, which takes both objective and subjective criteria into account.
- c) **A combination of financial and non-financial criteria must be used.** Neither financial nor non-financial criteria alone can give a complete picture of an organisation’s effectiveness/performance.
- d) **Those who are directly affected by the organisation should be consulted as to what they perceive effectiveness to be.**

It is not clear from the literature what OE criteria are most relevant to credit unions in Ireland. The first sub-question of the research is:

How should organisational effectiveness in credit unions be defined and measured?

Based on the conclusions from the literature above, OE in Irish credit unions needs to be defined and measured, taking a multi-dimensional approach which uses both financial and non-financial criteria, in consultation with those directly associated with credit unions.

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Chapter Four

Member participation in co-operatives and credit unions

Things get done more effectively when the people using the organisation are knowledgeable, conscious of the nature of their needs and problems, and actively involved in seeking effective solutions. (Briscoe & Ward, 2005:37)

4.1 Introduction

This chapter explores the literature pertaining to member participation by individuals in organisations, focussing on co-operative organisations and credit unions. Chapter Three has already reviewed the literature on measuring organisational effectiveness.

4.2 Participation defined

The CORI Justice Commission (1999:70) states that a national objective in Ireland should be

"to ensure that all people have a genuine voice in shaping the decisions which affect them and to ensure that all people can contribute to the development of society".

The voluntary sector is one such place where people can make these kinds of contributions. In Ireland the voluntary sector is comprised of many different types of organisation and association. Faughnan (1990) broadly classifies the sector as follows:

- Mutual support and self-help organisations

- Local development associations
- Resource and service-providing associations
- Representative and co-ordinating organisations and
- Campaigning and advocacy organisations.

Co-operatives such as credit unions fall into the mutual support and self-help category where people voluntarily assume the responsibilities for meeting a commonly held need, as discussed in section 2.3. Credit unions are voluntary organisations under the 'first generation community development organisations' definition adopted by Donnelly-Cox & Jaffro (1999), which involve people working together for each other as a community, meeting identified needs and empowering local people in the process. This requires some form of participation whereby credit union members perform or give of their services while receiving no financial payment.

The term 'participation' is widely used in many spheres of life⁹ and to such an extent that its precise meaning is not always clear (Pateman 1970:1, Mikkelsen 1995:61). Pateman (1970) points out that a great deal of literature is dedicated to exploring the concept of participation within democratic politics with writers such as Rousseau and John Stuart Mill having put forward their participatory theories of democracy within the political society. This thesis is more concerned with participation within organisations, more particularly, within *co-operative organisations*, by members rather than on participation in political spheres.

Definitions of participation are wide-ranging and the related literature is vast. One view is that of Pestoff (1995a), who views participation as being that of citizens as *co-producers* whereby the clients of personal social services participate in the production of those services they demand and consume. Beresford & Croft (1993:9) coin the phrase *citizen involvement* whereby people participate voluntarily by helping out in some way but do not necessarily increase their say or control by doing so.

⁹ For example, co-operatives and credit unions, politics, employment, third world development

A general definition of volunteering adopted by Wardell et al (2000:229) is as follows:

“the commitment of time and energy for the benefit of society and the community...It is undertaken freely and by choice, without concern for financial gain”.

Tenenbaum (1988:13) defines a volunteer in credit unions as:

“A person who performs or gives services of his or her own free will.”

Mikkelsen (1995:63) explains two major types of participation as being instrumental participation whereby achieving participation is an end in itself and transformational participation whereby participation is a means to achieving a higher goal. Faughnan & Kelleher (no date) define what they term as ‘formal’ and ‘informal’ participation in organisations. They list seven broad categories of formal participation:

- structured feedback mechanisms such as consultation, research
- programmes to promote skills and capacities such as training and personal development
- representative democratic structures such as elections
- positive staffing policies e.g. employing constituents
- individual programmes built around identified needs
- empowerment based strategies involving grass roots mobilisation
- formal redress procedures such as complaints and grievance procedures

They define informal participation in organisations as:

- feedback on services, policies and organisational effectiveness to staff members, board members or other volunteers
- informal group discussions

- expressions of views by members through newsletters and magazines

This formal and informal participation is labelled by Meister (1984) as ‘organised’ and ‘spontaneous’ participation respectively.

de Bal (1989:13) categorises participation in organisations as:

- financial participation, i.e., participation in the sharing of economic results (profit sharing)
- social participation, i.e., participation in the activities of a group
- political participation, such as in decision-making processes

For co-operatives, the International Joint Project on Co-operative Democracy (1995:6) uses the term *participatory democracy* to describe participation. It argues that participation means

"to take part, to involve people in the decisions."

While it does not offer a definition of what it means by participatory democracy, it might be concluded that it means allowing people to contribute to and become directly involved in the decision-making process in co-operatives. Parnell (1999:126-127) refers to democracy as being more than the casting of votes. It is also the

"opportunity to participate in a two-way communication process, with members expressing views on how the business ought to be run for their own benefit and being kept informed about what is happening within their business."

4.3 The importance of member participation

Briscoe et al (1982:51) view active participation by members as an important

“means of ensuring that the co-operative’s services continue to be designed to meet members’ needs.”

Birchall (1999:3) highlights the

“acute importance of the quantity and quality of participation in helping co-operatives live up to their potential.”

Wadsworth (2001) describes member participation as the

“defining link to reaping benefits and success.”

In sections 2.2 and 2.4.4, the central importance of member participation to the success of co-operatives was discussed. It was shown that co-operatives which actively engage their members in designing the co-operative for use by these members, are likely to perform better and to have significant competitive advantages in the marketplace. To re-iterate from section 2.2.1, Briscoe & Ward (2005:37) assert,

“things get done more effectively when the people using the organisation are knowledgeable, conscious of the nature of their needs and problems, and actively involved in seeking effective solutions.”

Likewise, Watkins (1986:54) refers to member participation as the mainstay of co-operatives:

“A co-operative exists to promote the interests of the whole body of its membership. It must be managed with the consent and approval of the members, otherwise it will collapse. There must therefore be agreed methods of ascertaining the members’ wishes, as well as safeguards against the society being managed or manipulated in the interests of a minority of them or of a single dominating individual or, yet again, of some external power, authority or institutions.”

Despite the importance placed on member participation in the literature, Hoyt (2003:8) points to weak practice in co-operatives. She contends that co-operative boards are

“woefully uninformed about their members. They may be in close contact with relatively few members, who are much like them both demographically and philosophically. They may not be aware of the massive changes that are taking place in their membership, many of which mirror the changes in the population as a whole. The question is, what do these members want, need, and expect from a co-operative? What do they understand about what the co-operative provides for them? What do they understand about the board’s work and the important responsibility some members have assumed for the group when they agree to be directors? And most fundamentally, how can the board determine the best use of members’ resources if they are not intimately aware of their members’ needs and expectations?”

She continues by asserting that co-operatives do not know who their members are as individuals and that if co-operatives are to be competitive in the market, they must *“unbundle the membership as a whole and figure out how to communicate the co-operative’s message to each member as an individual.”* p.9

4.4 Forms and hierarchies of member participation

Birchall (1999) identifies three main forms of participation by members in co-operatives:

- decision-making through AGMs and committees which he sees as being crucial to co-operatives. Without AGMs and the formation of committees, members cannot participate in decision-making.
- tasks that further the co-operatives’ aims such as unpaid activities that members volunteer for, which he views as an important supplement to paid work and which increase the quality and effectiveness of the co-operative.

This type of participation is also viewed as an alternative for people who express an interest in the co-operative but find participation in formal meetings difficult.

- taking part in the social life of the co-operative. He states that social activities are often a by-product of co-operative activities but can be used to create a wider sense of community among the members. (1999:4, 2001:204)

Birchall (2001:205) contends that all three forms of participation are necessary to keep co-operatives democratic and accountable and to mobilise “*latent member potential*”. However, it must be recognised that not all members may wish to be involved in one or more of these ways, nor may these forms of participation be appropriate to the needs of all members of all co-operatives at all times.

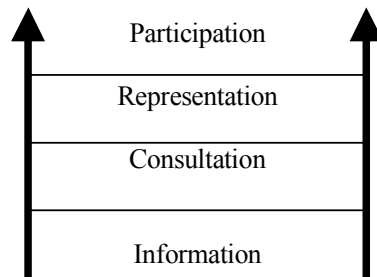
The focus of this thesis is on formal and informal member participation in credit unions. Formal participation is defined as participation in the making of decisions, through board structures, committee structures and AGM. It is also viewed as participation in tasks which further the activities of the credit union, such as voluntary teller work and voluntary credit union work in schools. Informal participation includes the exchange of information between members and their credit union, feedback, and so on. Therefore, the economic participation of members through the use of credit union services is not included in the definition for the purposes of this thesis.

Participation is often illustrated in the literature as the degree to which people can participate. ‘Ladders of participation’ are widely depicted in the literature, for example, Birchall (2001), CWC (1997) and Hallett (1987). Figure 4.1 shows one such ladder of participation (CWC, 1997). It describes the most basic level of participation as being the one way dissemination of information to stakeholders without any attempts to build in feedback or comments. The next level is consultation, whereby information is presented and feedback is sought and noted. However, despite consultation, the control of any decisions taken does not rest with the stakeholders in the decision. Representation is the next level of participation whereby people have a more formal input into decision-making as members of

management boards and committees. Finally, full participation is viewed as the process where all stakeholders have equal responsibility for decision-making, planning, implementation, monitoring and evaluation.

FIGURE 4.1

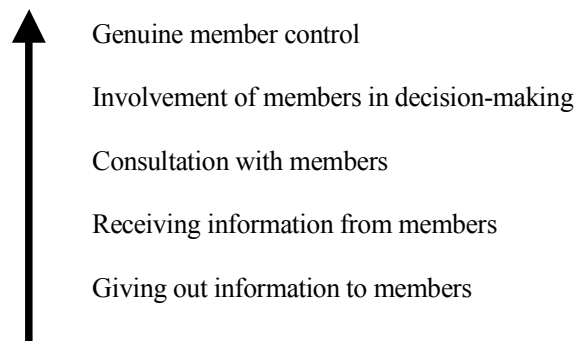
Participation Ladder



Birchall (2001) presents a similar ladder which he calls the 'hierarchy of member involvement' as depicted in Figure 4.2. According to Birchall (2001), the higher the level reached on this ladder, the more genuine the attempt by boards to be member-controlled businesses. Baker, as quoted in CWC (1997:6), illustrates that there is a spectrum of participation. At one end of the spectrum is pseudo participation where people are given the impression that they are involved by being consulted, but really have no influence over decision-making. At the other end of this spectrum is full participation where people have full control over decision making in organisations.

FIGURE 4.2

Hierarchy of member involvement



There is no doubt that co-operative membership infers certain rights and obligations on members to participate in some way, either formally or informally (Münkner, 1982). Members must be “*active rather than passive*” and have a right to be informed and consulted (Watkins, 1986:56). Hoyt (2003) states that this right goes well beyond simply asking members what they want or do not want, or what they like and do not like. It is not about member surveys in isolation. She claims that co-operatives must be involved in “*two-way communication with owners asking for guidance on key issues facing the co-operative, providing them with enough information so they can act as owners, and facilitating a lively and inspiring two-way dialogue between member-owners and the board.*” p.9

It may well be true that the forms of participation offered to members are not always relevant to their needs as members. According to Ferguson & McKillop (1997), there is a clear weakening of reliance on voluntary input in credit union industries such as in Ireland. Rapple (1999) states that the mutual nature of credit unions in Ireland is becoming less apparent as members now consider themselves more as customers than as members and relatively few members get involved in credit union administration. Davis (2001:32) calls for new approaches to involving members:

“We need new approaches to involving members. I am not suggesting we go as far as to abolish the opportunities for members to attend meetings and the obligation on managers to report to such meetings. Democratic processes for accountability and reporting must be preserved but they must also be recognised as not being enough in themselves. What I am suggesting is that we use additional methodologies to identify members’ needs and involve members in the affairs of their co-operative. I believe that success in the adoption of new methodologies for consultation and involvement would increase rather than decrease the attendance at traditional meetings, although we need to radically rethink the format. It is worth remembering also that in the case of England, at least, it has never been easy to involve members. As a young man I remember the free gift of groceries all members who attended their quarterly meetings used to receive from the Old London

Co-operative Society – even so the numbers were never out of single figures in terms of the percentage of members who attended.”

Hoyt (1995) contends that many co-operatives measure member participation in terms of the number of people who attend meetings and the number of votes cast in the most recent election. She states that there are many other ways of involving members, which she categorises into strategies, as shown in Table 4.1. Many of the activities listed are more specific to food co-operatives, but demonstrate the wide array of activities in which members can become involved, beyond the casting of votes and attendance at meetings.

TABLE 4.1

Strategies for member involvement in co-operatives

Member benefits	Member activities	Member input
Patronage refunds Discounts on case lots Member discount day Percent off purchases given at the cash register Member only coupons Discounts to senior citizens Parties associated with quarterly and annual meetings Cash rebates when fully capitalized Discounts at neighbourhood merchants Member newsletter Group rate insurance programs Membership in a credit union or health insurance plan	Member labour programs Language classes Special interest evening teas Children’s activities Workshops on aging parents Feature film matinee Theatre trip Cooking classes Healing classes Book signing Tea and muffin social Salad Saturday Sampling days with recipes In-store theme tours Safe driving course for seniors	Vote by mail Ballots in the newsletter Member labour programs Suggestion boxes: answers posted in store Shoppers column in co-op newsletter Member and shopper surveys Member involvement committee Participation on board and committees

It is clear from the literature that there exist many different ways to involve members in the running of a co-operative. As can be seen in Table 4.1, these can be tailored to the specific type of co-operative in order to include different types of members. The next section will examine some actual examples of member participation in different types of co-operative and of different sizes. This is intended to demonstrate some of the possibilities in terms of member participation.

Member participation strategies in Irish credit unions will be addressed in detail in a later section.

4.5 Examples of participation in co-operatives

Co-operatives throughout the world put member participation ‘into practice’ in a variety of innovative ways, showing that meaningful member participation is possible regardless of the size of the co-operative, the location of the co-operative, the types of services it provides, the perceived abilities of the members, and so on. They also show that member participation has different meanings in different co-operative settings and that different forms are more appropriate to the needs and capabilities of different members.

4.5.1 Oxford, Swindon & Gloucester Co-op¹⁰

Oxford, Swindon & Gloucester Co-op is a retail co-operative comprised of six trading groups: retail, motor, funeral, travel, property and corporate development. The Society serves the areas of Oxford, Swindon and Gloucester in the UK and is the largest regional independent retailer in these areas. It has an annual turnover of STG£335 million, 89,000 members who use its services and 4,566 employees. It is clear that this co-operative takes its co-operative principles and values seriously. It claims to have the aim of being ‘*a **Successful Co-operative Business** with equal emphasis on all three words*’ and lays down various strategies for achieving this. The involvement of members in the co-operative is seen as critical to its success. It actively encourages and enables its members to participate and openly offers members a say in how the co-operative is run. Member participation is categorised by the co-op as follows:

- a. **Annual general meeting**, which is promoted as ‘*a fantastic opportunity for members from across the trading area to get together and find out about developments over the previous year and plans for the future. The day also provides informal workshop debates.*’
- b. **Quarterly member meetings** are designed to allow members to keep up-to date with what is happening in their Society. The Meeting is held over four

evenings at a different location each evening (*Swindon, Gloucester, Oxford and Chipping Norton*), which enables members from across the trading area to attend. Transport is also provided. The meeting begins with a report given by the Society president or whoever is chairing the Meeting. Members then have the opportunity to ask questions before voting to accept or reject the report. Other presentations are then given on the work of the Member Education Council and on the Oxford, Swindon & Gloucester Co-operative Party. Members can also influence policy at these meetings. Propositions (or questions) can be submitted by members, in writing, prior to the quarterly meetings. Propositions are usually used for issues that are major or refer to a change in Society policy. Propositions can be submitted by anyone who has been a member for over six months and have to be submitted at least six weeks prior to the Members' Meeting. Dates for the submission of propositions are always shown on the Members' Meeting posters displayed in the stores.

The agenda for the meeting is printed in the quarterly report which is sent out to stores and to members on the mailing list prior to the Members' Meeting. The report contains a report on the Society's performance, on membership activities in the Member Education council report and a report on the Co-op Party. It also has a condensed version of the minutes of the previous meeting. Full minutes are available at the meeting. The minutes of the previous meeting are also contained on the Co-op's website.

In the most recent set of meetings, 170 members across four districts (excluding directors) were in attendance.

- c. **Active Members' conferences** are held annually, giving members the opportunity to meet up and exchange news and views as well as take part in group discussion and workshops. Transport is provided to members. The most recent meeting was attended by 130 members.

¹⁰ Primary source: www.osg.coop

- d. **Member groups** meet regularly at 12 local venues to discuss issues of interest. Various speakers attend, along with the local store manager. Members can learn more about their Society and the wider co-operative movement at these meetings.
- e. **New member seminars** are organised for those members who have recently joined, or members who have never played an active role in the Society and want to know more. These consist of an informal session on the history of the co-operative movement and an overview of what a modern co-operative looks like and what membership means and how to make the most of it.
- f. **Voting.** Members are invited to vote in the elections to the board of directors. Voting can take place by post, phone or Internet. Members can also put themselves forward for positions on the board.
- g. **Surveys.** Recognising that not all members can or would want to attend meetings, the co-op regularly surveys the members by post and by phone to ascertain their views on the co-op. The co-op believes that if the co-op is to be successful it must listen to the members.
- h. **Annual survey.** Every member is sent a survey questionnaire each year by post, with the voting papers. The survey is designed to ascertain the views of the members on how well they feel the co-op operates and what improvements might be made for the future.
- i. **Quarterly survey.** Members are picked at random to participate in a quarterly member survey administered over the telephone.
- j. **A member hotline** is available for member queries and feedback.

Despite the large size of the co-operative, in terms of membership and trading area, it makes opportunities for input into its operations available to all members. This is achieved through member meetings in various geographical locations, and through regular surveys and a member hotline. Members need not attend the AGM in order to vote in the elections.

4.5.2 Community Food Co-operative¹¹

The Community Food Co-operative, based in Washington State, US, is a retail food co-operative selling organic produce, meat and seafood, wine, housewares, supplements and so on. The co-operative offers a variety of different ways in which members can participate in their co-operative: as board members, as committee members, as volunteers, in member forums, and others. These are listed in the **Co-op Owner's Member Manual** which each member receives on joining. This manual explains to members that they are owners of a co-operative and sets out the rights and responsibilities of member ownership. Forms of involvement include:

- a. **Volunteer opportunities:** Members can volunteer by reading to children in the store, collecting recyclable items, or helping with special events or projects. The co-op has its own *volunteer coordinator* whom members can contact to volunteer.
- b. **Board of directors:** Any member who has paid dues to the co-operative in the current year is eligible to run for a position on the board. Each board meeting commences with a ten-minutes member forum at which members can present their concerns or proposals to the board. The minutes of the most recent board meeting are available on the co-op's website as well as in the store.
- c. **Committees:** Members are welcome to join committees, such as the member affairs committee, the board development committee (which cultivates potential new board members each year) and the finance committee. These committees study policy issues, provide recommendations and advise the board.
- d. **Member forums:** are held to gather and discuss issues of importance to co-op members, on an as-needed basis. Topics which have been discussed include boycotts, whether to supply meat and the future of the co-op. Recent forums have been held for members to discuss and give feedback and comments about the co-ops planned second store. Agendas and timetables are posted in the store.

¹¹ Source: www.communityfoodcoop.com

- e. **Dining with directors:** This is viewed as a more sociable way for the Board and Co-op members to get together to share good food and ideas about the Co-op. It is used as an opportunity for members to meet directly with the Board on a more personal level and helps Board members develop policies that truly represent member values and meet member needs. Each Dining with the Directors evening is focused on a single topic, such as “What makes membership meaningful?” or “What are the most important issues and questions for us to consider as a Co-op in the coming year?”

The Board offers two ‘Dining with the Directors’ evenings each year (plus a similar focused-topic discussion at the Co-op’s annual meeting and party). Twenty-five members are invited. Members can sign up at the co-op shop on a first-come, first-served basis. Preference is given to members who have not attended a past Dining with the Directors.

4.5.3 Group Health Co-operative¹²

Group Health Cooperative, based in Seattle, in the US, is a co-operative health care system governed by its clients. It provides coverage and care for about 540,000 people in Washington and Idaho. The co-operative has asserted that:

“One of the things that makes Group Health successful is our tradition of member governance and participation.”

Group Health members receive care from the system and also help guide it. In addition to voting in annual elections, members have ample opportunities to participate in the operations of the co-operative:

- a. **Board of trustees.** Members can put themselves forward for election onto the Board of Trustees which acts as the governing body of the co-operative

¹² Source: www.ghc.org

- b. **Annual membership meeting.** All members can attend the annual meeting to elect the Board of Trustees and to vote on all major policy decisions and changes to bylaws.
- c. **Attend a board meeting.** Public Board meetings begin with an open microphone session during which any Group Health member can address the Board directly on all matters except those related to personal health care.
- d. **Participate in Senior Caucus.** The Senior Caucus advocates for seniors' needs; works on care delivery, health care coverage, and legislative issues; and plans local meetings with health-related programs. The Senior Caucus helps with a senior peer counselling program, the Resource Line, and the Senior Outlook newsletter. All Group Health members age 65 and older are automatically members of the Senior Caucus.
- e. **Advisory Councils.** All Group Health medical centres have councils that are made up of volunteer members. The councils and medical centre staff work together to improve the care and wellness of members and their communities. Each council meets at least four times per year. Councils are open to all Group Health members who reside near or receive care at a respective medical centre. Group Health members who live outside the service area of a Group Health medical centre can join advisory groups called district advisory groups or network services advisory groups.
- f. **Hospital volunteers.** Volunteers help providers communicate with families in the surgical waiting areas, work in our non-profit gift shops, and perform errands such as giving directions, answering questions, and discharging patients for the escort desk. All training is provided.
- g. **Hospice volunteers.** Hospice volunteers provide support for terminally ill patients and their families. Volunteering is done in patients' homes. Volunteer support may include respite care, transportation, companionship, and emotional support.
- h. **Resource line.** Volunteers become experts at using a database of health information and at responding to callers' questions about their health education needs. Volunteers provide referrals for classes, support groups, meetings, and events at Group Health and in the community.

- i. **Special transportation program.** Volunteer drivers provide transportation for elderly, frail members.
- j. **Health meetings.** Informational meetings are held for members on various issues including diabetes, weight loss and nutrition, and arthritis.

4.5.4 Credit Mutuel¹³

The Credit Mutuel co-operative banking system is made up of 1,830 local credit co-operative societies throughout France with a total membership of 5.8 million and total customers of 10 million. It is considered to be one of the top four banking institutions in the country. Each local society adopts co-operative principles and acts as an autonomous unit, offering a range of services to its members. All decisions regarding local banks are made by the local banks themselves. The banks form 18 regional groups which in turn form a central confederation. Each local bank has a local board (or group of administrators), elected by the members at the local Annual General Meeting and contributing in a voluntary capacity to the bank. Across the 1,830 banks, there are 25,000 members acting as administrators.

The bank has repeatedly committed itself to its co-operative values and claims to 'live the values'. It highlights the importance of listening and participation to the quality of the service provided. It prides itself in having a decision-making structure that is 'close to the ground' and that takes the real needs of its members and customers into account. It has stated that the non-centralised model of organisation and democracy is critical to its success.

4.5.5 Discussion

The examples of co-operatives presented in this section were chosen on the basis that they are actively attempting to involve their members. These examples show some of the possibilities for co-operatives in engaging the members to make their needs known and to input into policy-making and decision-making to reflect these needs. Each of the co-operatives uses a variety of techniques and media to involve the members. Sometimes activities take place in different locations to reflect the

¹³ Source: www.creditmutuel.fr

geographical diversity of the membership. Member participation in these co-operatives is not confined to participation at board and committee level. What is, perhaps, most striking about these co-operatives is their openness to determining what the needs of the members are, regardless of *how* this information is collected. The information is often collected in a way that suits the members rather than the co-operative. Furthermore, the co-operatives provide information and education to members to enable them to be aware of and to identify their own needs.

It is clear that these co-operatives openly attribute their success to active participation by the members. In-depth knowing of the members' needs has allowed the co-operatives to design their services around these needs and thus the members are more likely to use the services the co-operative has to offer. This gives a distinctive competitive advantage in the market to these co-operatives.

4.6 Participation in Irish credit unions

One of the main research questions for this study asks what member participation in Irish credit unions involves. For Irish credit unions, participation more often than not means attendance and contribution at the Annual General Meeting, work as a voluntary teller or other voluntary work, work on a committee, or work on the board of directors. It is less associated with the provision of information to members, the acceptance of feedback, the answering of questions, and consultation with members. All of these forms of involvement take place to a varying extent across credit unions, as will be seen in Chapters Six and Eight. Each of these forms is now considered in brief.

4.6.1 Annual General Meetings (AGMs)

An AGM must be held under Rule 128 of the Standard Rules for Credit Unions. AGMs set out the financial status of the credit unions to the members, as well as a report from the board and other committees. Furthermore, it is at the AGM that the members elect the board of directors to represent their interests, together with the Supervisory Committee, which will monitor operations, and the Auditor who audits the financial accounts. As such, the AGM is the main vehicle for members to

exercise their democratic rights as members (Dublin, 1971). It is also a vehicle through which members can pose questions, generate discussion, make their needs known and give feedback on the operations of the credit union. As such, it is *“the organ through which the general will is expressed”* (Watkins, 1986:56). Despite the relative importance of AGMs, they are not well-attended by members (McKillop et al 2002; Ward 2001; Watkins 1986) which can lead to the organisation being ruled by a minority of members who may often be *“beyond their depth in discussion”* (Watkins, 1986:57).

McKillop et al (2002:72) researched the average attendance at AGMs in Irish credit unions, shown below in Table 4.2. This shows that the average attendance is approximately 2% of the membership, which holds across all credit union sizes.

TABLE 4.2
Attendance at AGMs in Ireland by credit union size

SIZE CLASSIFICATION	MEAN ATTENDANCE
More than 5,000 members	213
2,500 to 5,000 members	76
Less than 2,500 members	48

Goth (2004) conducted similar research in the Canadian Maritime Provinces and in Ireland. He found that AGM attendance on average is less than 4.23% and tends to decrease in proportion to increased membership. In examining AGM attendance *excluding* directors, other volunteers and staff, the figures were much lower, being less than 2.51% on average and again decreasing as membership increased.

This low relative attendance is not unique to credit unions, nor is it a new phenomenon¹⁴. According to Meister (1984:155), *“the proportion attending meetings is inversely proportional to the number of members”* in co-operatives.

¹⁴ ‘Non-participation’ and degeneration are discussed in more detail in section 4.10.

Watkins (1986:67) refers to the degenerative effects of “*dwindling attendances*” at co-operatives’ AGMs which

“shrink the field of selection for elective officers and leads sooner or later to a deterioration in the quality of the officers, particularly in the membership of the management committee of board of directors. Where these prove incapable of giving wise leadership, authority and power often pass to the chief permanent officials.”

Similar observations are made by Ward (2000) and Hyndman et al (2001). McKillop et al (2002:73) point to the use of “*attractions to encourage members to attend AGM*” such as prize draws or a free bar. Controversy is openly recognised by practitioners as the most likely attraction of members to the AGM. Dublin (1971) encourages an open atmosphere at credit union AGMs where motions from members should be actively encouraged. The International Joint Project on Co-operative Democracy (1995) and Watkins (1986) refer to examples of co-operatives that attempt to make their AGM more meaningful and participative such as consultation processes in advance of the meeting to build an informed membership base.

It is likely that AGMs, as they are currently structured, may never achieve large attendances. In fact, there probably are few if any indoor venues which could hold a meeting of the full membership of most co-operatives. It might well be argued that this form of participation is inappropriate for some members who either are unable to travel to meetings, feel unable to make a worthwhile contribution and so on. However, as seen in section 4.4, there are many other ways to involve members in decision-making and, more specifically, in voting.

4.6.2 Voluntary tellers and voluntary work

Birchall (2001) refers to tasks that are undertaken on a voluntary basis to further the aims of a co-operative. In credit unions, this primarily involves members who volunteer to work as tellers, serving members over the counter, or who engage in a variety of other activities, such as filing, bank reconciliation, preparing mail shots,

running school savings schemes and so on. In some cases, voluntary tellers are also board members or are involved on committees. McKillop et al (2002:57) illustrate the numbers of voluntary tellers in Irish credit unions, broken down by credit union membership size, as shown in Table 4.3.

TABLE 4.3
Voluntary tellers in Irish credit unions

SIZE CLASSIFICATION	Male voluntary tellers (mean number)	Female voluntary tellers (mean number)
More than 5,000 members	5.867	6.827
2,500 to 5,000 members	1.442	3.385
Less than 2,500 members	2.288	4.492

Clearly, according to their research, all Irish credit unions still depend to some extent on the volunteer input into everyday activities. The table shows that there is an average of approximately 13 voluntary tellers in credit unions with more than 5,000 members. The smaller credit unions (less than 2,500 members) have approximately 7 voluntary tellers each while medium sized credit unions have the least number. In all cases, women outnumber men in teller positions. McKillop et al (2002) were also able to conclude that, where voluntary tellers are also board members, they are more likely to be men rather than women.

This form of participation has declined over more recent years, mainly because of the demands placed on voluntary tellers as credit unions have grown. Furthermore, volunteers are sometimes seen as detracting from the ‘professional image’ of the credit union, particularly where on-going training is not made available. One could call into question the appropriateness of this form of participation in an age where consumers expect and have a right to a highly professionalised service.

4.6.3 Committee work

Figure 2.1 in Chapter Two illustrated the organisational structure of a credit union. It was clear that there are a number of committees operating in credit unions which

are tasked with carrying out various functions and reporting back to the board. Most committees discuss issues and refer important decisions to the board while having a certain level of decision-making authority devolved to them. In this way, committees have an important role to play in decision-making and in keeping the board informed. As stated in section 2.3, committees other than the Supervisory Committee, the Education Committee and *ad hoc* committees, require a minimum of one board member. However, there is often considerable overlap between committees and boards, whereby committees are made up entirely of board members. This overlap reduces the real number of members who are actively participating in their credit union and whose voice is being heard.

4.6.4 Board of directors

As illustrated in section 2.3, the board of directors in a credit union is charged with its overall management and direction and is elected by the members at the AGM. Under Rule 75 of the Standard Rules for Credit Unions, boards of directors have a large number of powers and duties including the making of investment decisions, the employment of people to run the credit union on a daily basis, the fixing of interest rates, and the appointment of committees necessary to discharge the credit union's business. In essence, the board of directors is charged with the overall governance of the credit union and therefore has a central role to play.

As stated in section 2.5, numerous research studies have been carried out on the effectiveness of boards of directors in organisations such as credit unions, and more particularly, on the influence of a board of directors on the effectiveness of an organisation, concluding that there is a strong positive relationship: an effective board results in an effective organisation.

As mentioned, boards are elected by the members at the AGM. As shown earlier, AGM attendance is poor on average, showing that only a very small minority of members are involved in voting for the board. Postal or other forms of voting are not permitted under current legislation. The Nominating Committee is responsible for ensuring that there are sufficient (or more) nominations to fill each vacancy arising on the board each year. Members may also be proposed from the floor at an

AGM. It is not always the case that there would be more nominations than vacancies in credit unions. McKillop et al (2002) found that 66% of credit unions in the Republic of Ireland have the same number of candidates as there are vacancies on the board each year at AGM. Just over 27% of credit unions have more candidates than vacancies ensuring that a 'real' election takes place. 7% of credit unions claim to have insufficient numbers to fill vacancies. These statistics are likely to bear some relation to the level of activity of Nominating Committees where it was found that only 26% meet more than three times in the year. According to McKillop et al (2002), the main method used by Nominating Committees to recruit to the board is by directly approaching potential candidates who have a record of service or some other form of commitment to the credit union.

4.6.5 Consultation and exchange of information with members

There are few legal requirements on credit unions to make information available to their members, although it is arguably in their interests to do so. Credit unions are required to make the financial accounts available to the members annually, and to make the latest audited balance sheet available for inspection by members at all times (Rule 149). Notice of the AGM must also be posted to each member individually and must invite nominations for elections (Rule 131). There are few other legal requirements on credit unions to exchange information with their members or to consult with them in any way, other than through the AGM.

All credit unions produce an annual report, which according to Hyndman et al (2004) is the key document in credit unions (and most other organisations) in the discharge of accountability to the members. Hyndman et al assert that credit union members:

“normally have no easily exercised right to demand information and they must primarily rely on credit union annual reports for information.” p.256

McCarthy et al (2001) identify a number of other possible sources of information for credit union members, including newsletters, staff, board members, advertisements, leaflets and other members. When compared to the range of sources

available to the members of the co-operatives discussed in Section 4.5, these are meagre.

The importance of two-way communication with credit union members is emphasised by Briscoe et al (1982), Briscoe & Ward (2000), and McCarthy et al (2002). Briscoe et al (1982:33) describe co-operative members as “*origins of action*” who need to be equipped with the knowledge and skills required to make decisions, to run their co-operative effectively, and thereby meet their own needs. In order to be so equipped, the membership needs to be educated. As Briscoe et al (1982:33-34) state:

“This is why education is such an important component of any co-operative strategy. People must be given the opportunity to acquire the information and practice the skills they need to take charge of their own lives.”

They go on to say:

“The co-operative’s education programme should help its members to understand the affairs of the co-operative and thus equip them with some of the tools necessary to influence and control those affairs... The co-operative should be run on a system of ‘open government’, i.e., formal and informal channels of communication should be set up and kept open between management and members so as to maximise opportunities for exchange of ideas and information. All information given to members should be in a form intelligible to them.” p.52

They describe the structure of the co-operative as being the vehicle through which the process of co-operation can take place:

“The structure merely provides a framework within which the co-operative process occurs. The quality and nature of the process is at least as important as the shape of the framework... A co-operative is an organisational tool intended to help people get actively involved with others

in meeting their own needs. It provides a structure through which people can do things for themselves. It works best when members are wide awake and have the skills and confidence to solve their own problems...A co-operative's educational programme therefore should provide members with the means to deal critically and creatively with their problems and in the process equip them to participate in the shaping and moulding of their circumstances." pp.39-47

It is clear, therefore, that while information and education are forms of member participation in themselves, they are also inextricably linked to enabling members to participate effectively. However, as Briscoe et al state, the importance and relevance of education in co-operatives are often ignored, to the detriment of the co-operative and its members. Stryjan (1993:61) recognises that *"members...may lack the experience of, and the competence necessary for steering the organization in the world out there, that they don't quite understand."* Watkins (1986:124) argues that education in co-operatives must be on-going:

"Co-operators must not simply be educated for co-operation: they have to be continuously re-educated in co-operation...the co-operative movement cannot regard education as any other than a life-long experience."

Byrne et al (2002) found that the majority of credit unions in Ireland do not have any formal educational and training policies. In their study of credit union personnel, they found that 57% of the credit union personnel who were interviewed engage in training less than once a year, if ever. They also found that board and committee members (i.e., volunteers) are the least likely credit union personnel to engage in training, primarily due to a stated lack of time or the unavailability of 'suitable' courses. Their research, did not, however, extend to education of the general membership but one could reasonably assume that if a credit union lacks a training and educational programme for its own personnel then it is hardly likely to have one for its members.

4.7 Who volunteers to participate?

According to Birchall (2001:206), *“the conventional wisdom is that participation correlates strongly with social class and status.”* It is estimated that in the US, 49% of the adult population are engaged in formal or informal voluntary work, devoting 5 or more hours per week to voluntary service (Clary & Snyder, 1999). Estimates from the UK suggest that about 50% of the adult population volunteer at least once a year (Wardell et al, 2000). Wardell et al (2000) also suggest that the stereotypical profile of a volunteer, and one that was replicated throughout Europe was of middle-aged, highly educated women, with a secure income. However, this was viewed as changing due to the re-integration of women into the employment sector.

Pestoff (1991) found that a larger proportion of men over women were involved in Swedish co-operatives in general, but found the proportion to be much smaller in Swedish consumer co-operatives. Bussell & Forbes (2002) refer to a number of studies of people who volunteer, which show that more females than males volunteer, that volunteers are more likely to be over the age of 50 and that people with a family background of volunteering are more likely to volunteer themselves.

Similarly in Ireland, Powell & Guerin (1999) quote Gaskin & Smith (1995) as saying that there is a tendency in voluntary organisations for volunteers to be employed and to have a good education, occupation, social grade and income. This was held up by Powell & Guerin’s research, which showed that 43% of middle class people surveyed had volunteered, 34% of farmers and 25% of working class people. Research they carried out showed that 32% of the Irish population perform voluntary work.

Pestoff (1991) found that the higher the level of education of the co-operative member, the more likely he or she would participate in the co-operative’s activities. He also found that in consumer co-operatives (such as credit unions) members who are not active in the workforce are more likely to be active participants.

These findings suggest that the ‘typical’ volunteer in society is more likely to be middle-aged, female, well educated and to have a good income.

It would be expected in organisations such as co-operatives that those who actively participate in decision-making and other activities would be generally representative of the membership in socio-economic terms: for example, if a majority of the members are working class, then a similar majority of the voluntary participants would also be working class¹⁵. A number of studies have been carried out in co-operative organisations to determine who volunteers. Pestoff (1991), in a study of co-operatives in Sweden, found that participation in farmer and consumer co-operatives (such as credit unions) correlated with lower than average levels of education, older members and lower incomes, although he also found that there was no social characteristic of co-operative members that made them difficult to activate. Meister (1984) summarises a number of studies, one showing the average age of co-operators in Germany to be 43, another in Sweden showing the average age of co-operative leaders to be 51.

Detailed studies have been carried out on the volunteering of women and of young people in Irish credit unions, as well as on volunteering in credit unions in general. McKillop et al (2002), in their study of women’s participation in the Irish credit union movement, found that women were underrepresented on boards, particularly in larger sized credit unions. The average credit union board in the Republic of Ireland was composed of 8 males and 5 females, although the difference has diminished over a number of years. The finding that males are more likely to be board members in credit unions than females was supported by Byrne et al (2004). This is despite the fact that women make up about 52% of the membership of Irish credit unions. A more pronounced gender gap became apparent in an examination of the office holders in Irish credit unions. Nearly 75% of chairperson positions and 65% of vice-chairperson positions were found to be held by men. It was also found that the smaller the credit union, the more likely it was for a man to be in the

¹⁵ According to the Irish Government’s 1997 Green Paper on the Community and Voluntary Sector, there is a need to ensure that the people who participate in voluntary and community organisations are representative of their user groups (Sect 4.11).

position of chairperson. The positions of treasurer and secretary were found to be more evenly distributed among men and women although only in the case of secretary did more women than men hold the position. This was explained by the traditional view of the position of secretary as being '*women's work*' (McKillop et al, 2002:64). The findings for the Republic of Ireland showed that in the case of two of the main six committees examined, women are numerically dominant over men. These committees were the Membership Committee and the Education Committee. All other committees examined – the Supervisory Committee, the Credit Committee, the Control Committee and the Planning Committee – were numerically dominated by men.

McCarthy et al (1999) carried out a study of youth involvement in Irish credit unions showing that youth are generally severely underrepresented as volunteers in Irish credit unions. The study revealed that about half of all the credit unions participating had at least one board member who was aged 30 or under. One third of credit unions had at least one committee member aged 30 or under. It was discovered that credit unions experience great difficulty in encouraging younger people to become actively involved as volunteers. Bussell & Forbes (2002) state that the image of volunteering may actually deter young people from giving of their time on a voluntary basis.

Byrne et al (2004) have carried out the most recent study into volunteerism in Irish credit unions and conducted detailed research into the profile of volunteers. They found that 60% of credit union volunteers are male while 40% are female. Table 4.4 displays their findings with regard to the age breakdown of volunteers, showing that only 9% of credit union volunteers are aged less than 35, while 42% are older than 56.

TABLE 4.4

Age breakdown of credit union volunteers

AGE CATEGORY	%
18-25	1%
26-35	8%
36-45	21%
46-55	28%
56-65	22%
>65	20%

They also examine the level of education of the credit union volunteers and found that just under 50% had achieved secondary level education only, while 35% had achieved third level education. 86% of credit union volunteers are married, widowed, divorced or separated, while only 14% are single. 88% of volunteers had lived in their local community for 10 years or more, indicating that people with ‘deeper roots’ in the community are more likely to become involved as volunteers with the credit union.

Given the democratic and equality principles by which credit unions operate, it would be expected that the members who participate voluntarily would be generally representative of the membership. This is not, however, the norm for credit unions as is clear from the above studies. Women are not always equally represented nor are they always given their fair share of the senior board positions. Equally, young people are not very well represented in Irish credit unions.

4.8 Reasons for participation

Understanding the reasons why people participate, their motivations and commitment, is important for the recruitment and retention of participants (Bussell & Forbes, 2002; Clary & Snyder, 1999). A person’s motivation will impact on that person’s commitment to participate. In a somewhat ‘tongue-in-cheek’ manner, Beresford & Croft (1993:16) state that in order to participate in organisations,

“infinite patience, a commitment to interminable meetings and a high threshold for boredom sometimes seem the essential qualifications”. However essential these qualifications may be, the literature suggests that there are many more qualifications and motivations involved in participating and in continuing to participate over a long period of time.

The literature pertaining to the motivation of volunteers is vast. Summaries of this literature are provided by a number of authors. Bussell & Forbes (2002) refer to seven main categories of motivation that emerge from their study of the literature. These are:

- a. *altruism* or a desire to help others
- b. *egoism* whereby people volunteer to satisfy their personal or psychological goals
- c. motivation because *a family member is benefiting* from the organisation
- d. *selective incentives*, such as a sense of belonging, a need for affiliation, prestige, self-esteem, or as a way of making friends
- e. *improvement of human capital*, whereby volunteering helps people to learn new skills, to become more employable and to gain confidence
- f. *value-expressive functions*, enabling people to express their core values and beliefs
- g. *social-adjustive functions*, where people are asked to volunteer by people they value

Clary & Snyder (1999:157) cite the following as motivations to volunteer:

- a. *values*, where the individual volunteers to express an important value
- b. *understanding*, where the volunteer seeks to learn more about the world or to use a skill
- c. *enhancement*, where one can grow and develop psychologically
- d. *career*, where the volunteer can gain career-related experience
- e. *social*, where volunteering enables the individual to strengthen social relationships

- f. *protective*, where volunteering helps the individual to reduce negative feelings such as guilt

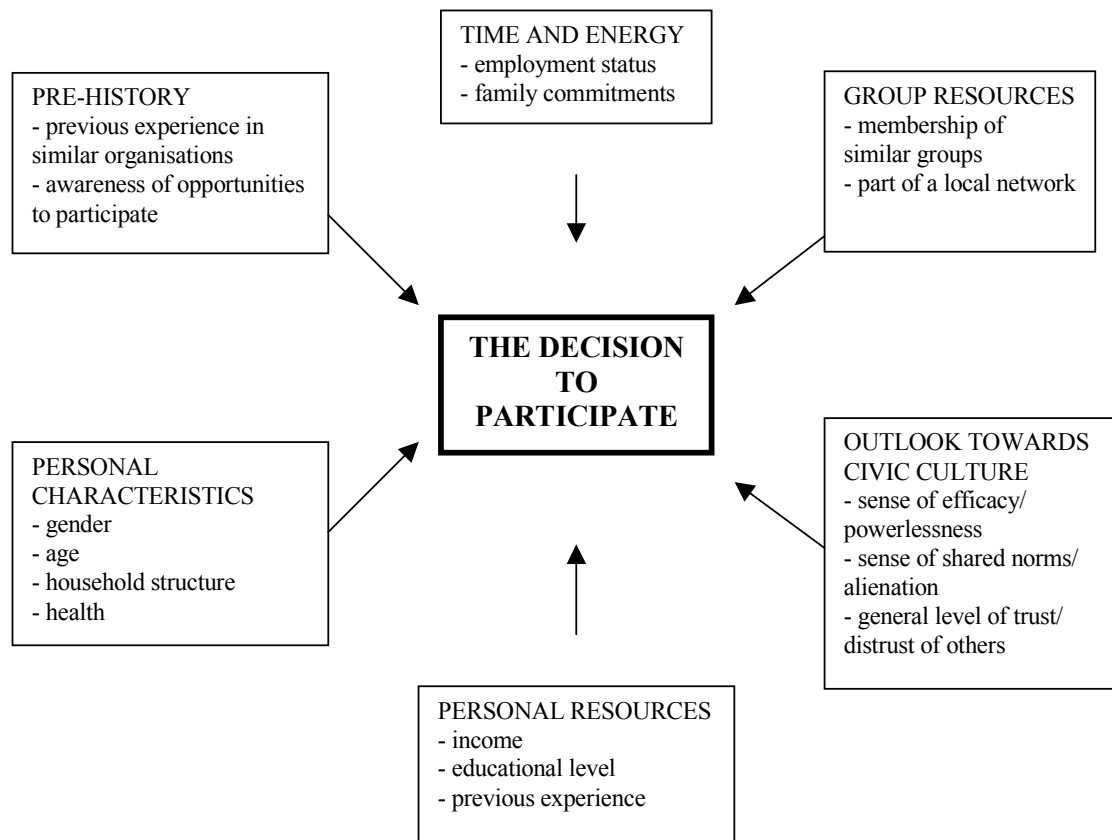
Birchall (2001:207-208) describes a number of preconditions or motivations for voluntary participation in co-operatives shown in Figure 4.3. Apart from what he refers to as “*a rational calculation of the costs and benefits involved or a desire to defend one’s community or to express deeply held beliefs*”, Birchall derives other preconditions from a review of relevant literature. These are:

- a. *time and energy*, although he states that busy people often make time for more commitments. He also states that a strong link does not exist between employment status and family commitments and an individual’s willingness to participate. This is supported by Byrne et al (2004).
- b. *personal resources*, asserting that there is a correlation between income, education level and participation and organisations whose members are medium to high earners and have a higher than average education will be more easily able to foster participation. However, he also states that this correlation is weak and that co-operatives such as credit unions that have traditionally appealed to those on lower incomes have a better record of participation.
- c. *group resources*, where people have been members of similar groups or are part of local network.
- d. a person’s *outlook on civic culture*, where those who feel a sense of alienation and powerlessness in society are less likely to participate, and people who feel a sense of trust towards others are more likely to participate.
- e. *previous history*¹⁶, where people with a history of participating in similar organisations are more likely to participate
- f. *personal characteristics*, where a person’s gender, age, and health may influence their decision to participate

¹⁶ Also referred to as ‘pre-history’.

FIGURE 4.3

Pre-conditions for participation



Birchall's analysis does not include the findings of a Gallup study in the US quoted by Bussell & Forbes (2002) which found that people are four times more likely to volunteer for an organisation when *asked* to do so. Nor does it include the findings of other studies cited by Bussell & Forbes (2002) which found that volunteers are more likely to volunteer if they have a degree of personal contact with the organisation through a family member or friend who is already volunteering.

Clary & Snyder (1999) state that values, understanding and enhancement are the most important motivations of volunteers and many volunteers' motivations can be classified as altruistic or egoistic. They also assert that volunteering is multimotivational in nature, as most volunteers are motivated by more than one factor. Age may also be an influence in that younger volunteers are motivated by career interests more so than older volunteers.

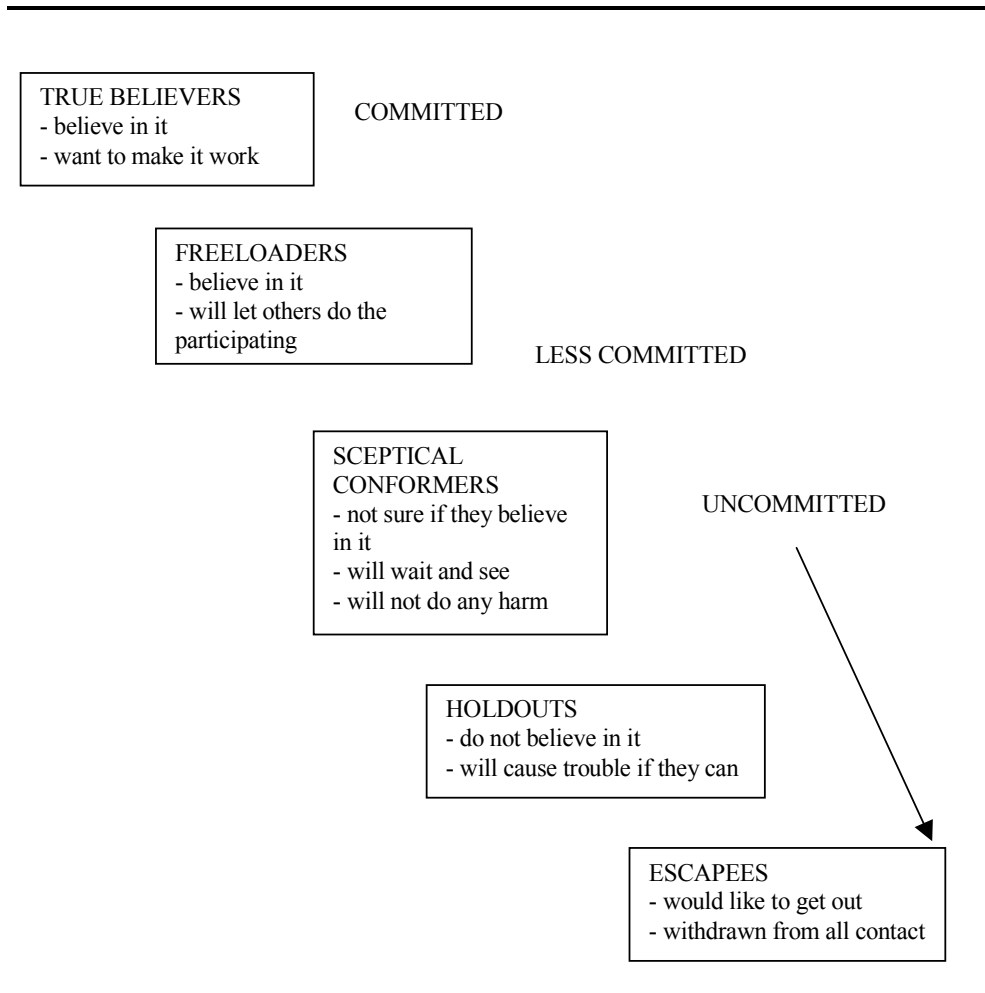
Volunteer commitment and retention are essential for sustaining voluntary organisations. Birchall (2001) categorises commitment in co-operatives as in Figure 4.4. Commitment varies according to the extent to which volunteers believe in what the organisation aims to do and the extent to which they want to contribute positively towards helping the organisation achieve its aims.

'True believers', that is, those who truly believe in the organisation and want to make it work, will be those who are most committed to the organisation. 'Freeloaders' are less committed and, although they believe in what the organisation is doing, are content to let other volunteers carry the workload. 'Sceptical conformers', 'holdouts' and 'escapees' are not committed to the organisation.

Birchall (2001:218-219) refers to a number of situations where there are different mixes of participants in co-operatives with differing levels of commitment. One is where there is a substantial minority of true believers. The true believers have supporters who can fill in when they get tired or burnt out. The true believers worry that the freeloaders may destabilise the organisation (although their fears may be exaggerated). Another situation is where there is only a small number of true believers and a large number of freeloaders. If the freeloaders cannot be persuaded to become true believers, burn out will occur sooner and the number of participants will diminish. Other situations where there are very few true believers and very few freeloaders may result in demutualisation because there are not enough participants who believe in the co-operative.

FIGURE 4.4

Attitudes and Commitment to Participation



Source: Birchall (2001:219)

In their review of relevant literature, Bussell & Forbes (2002:251) refer to literature showing that '*a volunteer-friendly environment would support [volunteer] retention*'. Increasing the satisfaction of volunteers, such as by enabling them to have fun will increase their commitment to the organisation. They also mention how a decline in the numbers of volunteers often means that fewer volunteers are doing more work and this can deter them from continuing to participate. Bussell & Forbes (2002) do point out, however, that there will always be volunteers who leave

an organisation for reasons outside of the organisation's control, such as personal commitments.

4.9 Value of participation – benefits to the participant

Rousseau, as referred to by Pateman (1970:22), states that participation is more than an institutional arrangement as it also has a psychological effect on the participant; it increases the actual as well as the sense of freedom of the individual, it increases the value of freedom enabling him to be his own master and it increases the feeling of the individual that he/she belongs to their community. These effects have been held up throughout the literature on the benefits of participation.

Chinman & Wandersman (1999:48), in their review of the copious relevant literature, cite three main benefits to be gained by individuals from voluntary participation in organisations: material benefits with a tangible reward, solidary benefits giving intangible social rewards and purposive or normative benefits giving intangible rewards for members who perceive themselves as striving to reach their goals by participating. In the literature, it was shown that voluntary members cite social and normative benefits as being the most important. The importance of social interaction to sustain participation was also recognised by Wilson & Musick (1999). Clary & Snyder (1999) state that there is a clear link between the commitment of a volunteer and the benefits that volunteer derives from volunteering.

In co-operatives, Birchall (2001) states that the self-confidence and enhanced knowledge gained through participation are important benefits. A growth in self-confidence and a feeling of belonging by older women who volunteer were found by Teather (1997) to be benefits of participation.

Indeed, it was seen earlier that capacity building, such as training and skills enhancement, and information provision are essential and can be important motivating factors for volunteers. Rousseau, as quoted in Pateman (1970), states that a major function of participation is an educative one: the more one participates,

the more one is able to participate. This is further highlighted by Briscoe et al (1982). Pestoff (1991) states members need information to enable them to participate in their co-operative.

Capacity building through training and resource provision is also essential if participation is to be inclusive (CWC 1997; Pestoff 1991). Tenenbaum (1988:24) states that,

“credit unions can survive only if their...volunteers...learn and use skills such as communicating, planning and handling money. By teaching these skills and providing opportunities to use them, credit unions mobilize human resources.”

Indeed, Pateman (1970:25) quotes Rousseau as saying,

“once the participatory system is established it becomes self-sustaining because the very qualities that are required of individual citizens if the system is to work successfully are those that the process of participation itself develops and fosters: the more the individual citizen participates the better able he is to do so. The human results that accrue through the participatory process provide an important justification for a participatory system.”

Chinman & Wandersman (1999:47) suggest that,

“one potential way to increase participation is to maximise the benefits and minimize the costs volunteers experience as a result of their participation”.

4.10 Non-participation

Non-participation by members in voluntary activities is a problem experienced more and more by voluntary organisations such as co-operatives. The most

common excuse used by people is that they do not have sufficient time to volunteer. Berelson, in Pateman (1970:7), notes that

“high levels of participation and interest are required from a minority of citizens only and, moreover, the apathy and disinterest of the majority play a valuable role in maintaining the stability of the system as a whole.”

Although co-operative theorists might disagree with this sentiment, seeing the participation of the majority as important, there is a growing body of literature examining the reasons for non-participation. A diversity of reasons for non-participation is put forward. McCarthy (1989:115) asserts that *“non-participation can result because people do not want to participate and because they are not given opportunities to participate”*. According to CWC (1997), people become detached from their organisation and do not volunteer if they feel detached from the issues being decided upon. This is upheld by Parnell (1999:126) who states that

“the degree of member participation in any co-operative depends largely on the co-operative’s impact on the daily lives of its individual members. If the co-operative meets only a few of the member’s needs, there is less motivation to participate actively in its affairs”

and as Meister (1984:155) claims, studies show that a growth in size is *not* the sole factor responsible for a loss of interest by members.

Birchall (1999:3) points to the dissatisfaction and disillusion that exists because of the lack of participation in even the most intensely involving co-operatives. Birchall (2001) states that there is a *democratic deficit* in organisations such as co-operatives because there is little incentive to foster democracy by boards. He presents a number of reasons: firstly, the recognised tendency towards oligarchy, particularly as the co-operative grows in size; secondly, the difficulties associated with communicating to and mobilising large numbers of members; thirdly, member apathy; and finally, a lack of appreciation in society itself of the nature of organisations such as co-operatives. He also asserts that participation will

eventually decline if the benefits derived from participation cease to match expectations or if their value to the participants declines over time.

Parnell (1999:125) recognises that

“it is a common complaint in co-operatives that most members are quite happy to leave the running of their enterprise to others...If...they insist on holding boring meetings instead of ones that address the real interests and concerns of members, they will succeed only in driving away the members who usually make an effort to attend.”

Chinman & Wandersman (1999), referring to Olson (1965), describe the *free-rider problem*: when members of a voluntary organisation can reap the benefit of other people's work without having to volunteer themselves, it is in their economic self-interest not to participate.

The problem of cliques within an organisation is recognised by Bussell & Forbes (2002:251) who maintain that

“some are deterred from pursuing their involvement in an organisation as current volunteers may form a distinctive group that is not particularly welcoming to new recruits.”

As Parnell (1999:126) asserts,

“it should come as no surprise that most people are easily put off participating in a democratic organisation if they are not readily welcomed and helped to learn the processes that make it work in practice.”

According to CWC (1997:7),

“participation often rests on relatively few people, often those with the resources, ability, time and skills to take part. It becomes easy to rely on the

few, as long as people feel they know what is going on or can complain if they object to something. However, too much reliance on the few can lead to burn-out or people losing touch with concerns locally.”

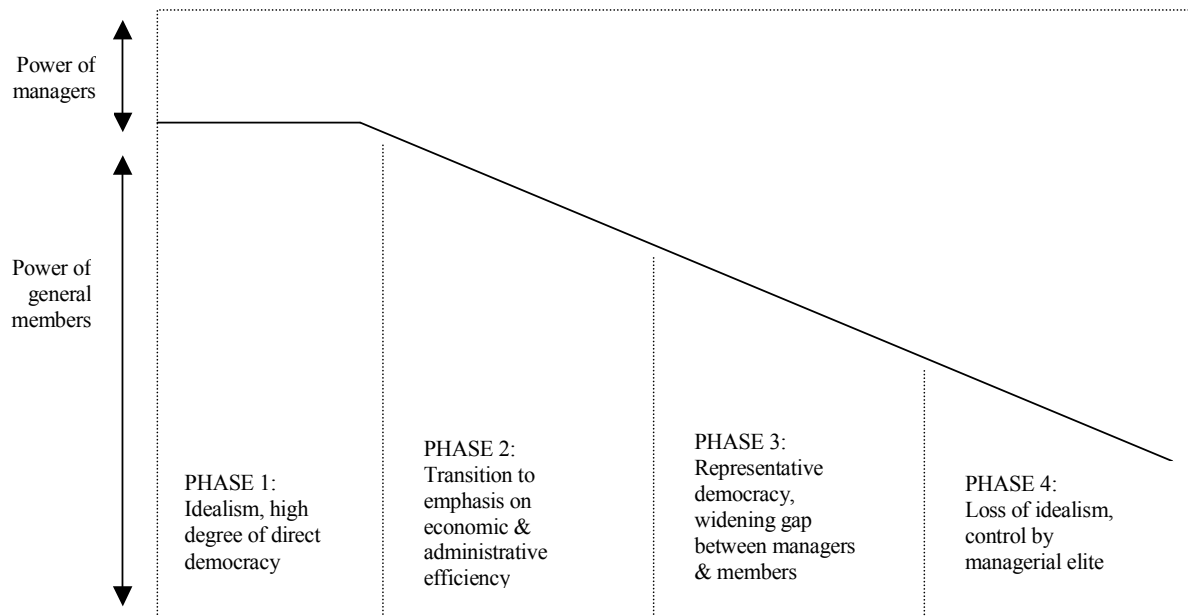
According to Beresford & Croft (1993), if members of organisations view involvement as a burden, then these organisations need to re-examine the type of involvement they are offering to the members.

Parnell (1994:95) describes the issue as follows:

“[the] democratic deficit: [when] the level of involvement and participation in the democratic process is in decline. Much of the blame is attributable to the fact that what were once small, community-based enterprises have become large-scale organisations serving far wider geographic areas.”

Degeneration is often seen as the inevitable result of non-participation by members, often attributed to the growth of the organisation (Meister, 1984). Meister (1984) shows four stages of development in democratic organisations (such as credit unions) and applies the degeneration theory to all stages. This is shown diagrammatically in Figure 4.5.

FIGURE 4.5
Degeneration thesis



The first phase, described as ‘the conquest’ is the period of formation of the organisation, when enthusiasm is high, decisions are made by the whole assembly of members, and volunteers step forward eagerly to perform all tasks. The second phase, known as ‘economic consolidation’, occurs when economic pressures cause modifications in the organisation’s structure and administrative power increases. More conflict tends to arise between the managers and the early idealists at this stage. In the third phase, the values of the organisation change, and democracy is distilled to a representative board. The fourth phase, ‘the power of administrators’, is where idealism is lost and a managerial elite, who by virtue of their expertise and daily knowledge of the organisation effectively hold the power in the organisation and the elected representatives effectively no longer control the organisation. In effect, degeneration involves the concentration of more and more decision-making power in the organisation in the hands of a small minority of members, and eventually, to salaried management. This clearly leads to non-participation by members.

The Degeneration Theory can be easily challenged by referring to the examples of co-operatives given earlier in section 4.5. Despite the tremendous size of some of these co-operatives, they have maintained meaningful input by the members into the policy-making processes.

4.11 Conclusions

This chapter has examined the issue of member participation in organisations, particularly co-operatives and credit unions. It has examined the levels of participation, the profile of the participants, the motivation and commitment of participants, the value of and rewards from participation, and the issue of non-participation and degeneration. In particular, it has gone some way in addressing the two remaining sets of sub-questions of the research:

Sub-questions - Set Two:

What does member participation in credit unions mean in Ireland? How appropriate is this participation to the needs of the members?

Sub-questions – Set Three:

How does member participation differ between effective and less effective credit unions? How can credit unions become more effective?

From the review of the relevant literature, it has become clear that member participation is a vital and central component of the co-operative process (Watkins 1986; Birchall 1999; Briscoe & Ward 2000, 2005). Designing co-operatives by members for their use is the essence of their competitive advantage. This also became very apparent from the practical examples of real co-operatives where member participation in all its forms is actively encouraged. The types of participation offered must be appropriate to their needs and must interest them. Co-operatives which do not attempt to activate the members fully tend to have degenerative tendencies. Therefore, one might reasonably expect that there would be a strong relationship between the effectiveness or performance of a co-operative, such as a credit union, and the degree of member participation in the co-operative

process. Findings by previous researchers (Knoke & Wood, 1981; Torres, 1987;) in other types of organisation, as detailed in section 2.5, have found no such relationship, although it was admitted by them that the type of organisation studied may affect the results. Other research (Hautalouma et al, 1993; Forbes, 1998; Herman & Renz, 1999), also detailed in section 2.5, have found significant positive relationships between board performance and organisational performance as a whole.

The primary research in this study sets out to examine the relationship between OE and member participation in credit unions. The next Chapter examines the methodologies employed to conduct the primary research.

Chapter Four Bibliography

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Chapter Five

Methodology

5.1 Introduction

This chapter identifies and discusses the methodology employed throughout this research, showing how this methodology evolved and adapted in response to various research problems that arose. The research was both quantitative and qualitative in nature.

The main research question was:

What is the relationship between member participation in credit unions and their organisational effectiveness?

In order to establish this relationship, three sets of sub-questions arose:

Sub-questions - Set One:

How should organisational effectiveness in credit unions be defined and measured?

Sub-questions - Set Two:

What does member participation in credit unions mean in Ireland? How appropriate is this participation to the needs of the members?

Sub-questions – Set Three:

How does member participation differ between effective and less effective credit unions? How can credit unions become more effective?

The study hypothesises that:

because member participation plays a central role in co-operative organisations, such as credit unions, there is a direct relationship between the organisational effectiveness of credit unions and the participation by its members in its activities.

5.2 A note about the author

The author has been conducting credit union research since 1994, shortly after an interest in credit unions was sparked by her attendance at a local credit union AGM. She has since become one of the main credit union researchers in Ireland. She has conducted a broad range of studies on credit unions, many of which examine aspects of participation and innovative practice in credit unions. Much of that research has helped to inform this thesis at various points. The author has also been involved extensively in the credit union movement. She has served in various positions in the Irish credit union movement, locally, regionally and nationally. She is currently secretary on the board of a local credit union and holds two national positions: one on a national committee of the Irish League of Credit Unions and another as an appointee of the Irish government's Minister for Finance on the Credit Union Advisory Committee (CUAC). Her profile within the Irish credit union movement has given her valuable access to credit unions at various points throughout this thesis. It also raises the issue of bias, the potential for which was a factor from the outset. In order to control for potential bias, the author has employed various techniques in the collection and analysis of the data, as will be discussed throughout this chapter.

5.3 Research approach

The research questions required measures or indicators of OE and member participation to be drawn up and then required an exploration of the relationship between both sets of variables. It was decided to carry this out by finding the most effective and the least effective credit unions in a sample, a method adopted by Herman and Renz (1998), and to conduct an indepth examination of member

participation in both credit unions. However, this presented a number of difficulties, and required some refinement of the methodology, leading to a number of methodological considerations.

A number of different techniques were employed to collect the primary data. Most, though not all, of the primary research is concentrated in the Chapter XI regional group of credit unions in the southern part of Ireland, stretching from Youghal, Co. Cork in the East, to Berehaven, Co. Cork, in the West. This area was chosen for a number of reasons:

1. *Representation*: this Chapter contains a cross-section of credit unions, of all sizes, in both urban and rural areas, and with both community and industrial common bonds. With 33 credit unions, it is also the largest Chapter in the country.
2. *Access*: the author is more familiar *to* and *with* credit unions in this area and was more likely to gain access to these credit unions than those located elsewhere in the country. A higher response rate was also likely as a result.
3. *Geographical convenience*: this enabled relatively easy access to the member credit unions.

Secondary data, including annual reports, newsletters and other general literature of the credit unions was used, to complete the picture.

5.4 Measuring OE

The first stage of the primary research for this thesis was to determine the OE criteria most suitable for credit unions. In accordance with the OE literature, a multi-dimensional approach to measuring OE was adopted, taking a financial and non-financial perspective.

OE criteria were identified so that the credit unions being studied could be rank ordered according to their levels of perceived effectiveness. It emerged from the literature (as summarised in section 3.11) that:

- a) a multi-dimensional approach must be taken to measuring OE (for example, Quinn & Rohrbaugh, 1981 & 1983, Ostroff 1993)
- b) a combination of financial and non-financial measures should be used (for example, Argyris 1964, Evan 1976, Kaplan & Norton 1996)
- c) those directly affected by the organisation must be consulted by the researcher (for example, Campbell 1976, Cockerill & Pickering 1984 in Hind (1999))

Furthermore, it emerged that the use of criteria specific to the type of organisation being examined is necessary [Perrow (1977), Kahn (1977), Cameron & Whetten (1983b)]. Previous research into OE criteria [Hautaluoma et al (1993)] revealed that the following were indicators of OE for credit unions in the US (as discussed in section 3.10.4.2):

- 1. CAMEL scores
- 2. Service satisfaction
- 3. Public image
- 4. Growth
- 5. Willingness to improve
- 6. Staff morale
- 7. Participative management
- 8. Comparison to competitors
- 9. Overall effectiveness

As Hautaluoma et al conducted their work in the US, where credit unions are considerably larger than in Ireland and are at a different stage of development, facing different regulation and legislative provisions, providing a much larger range of services and having far greater opportunities to grow (Ferguson & McKillop, 1997), it was considered necessary to determine the OE criteria appropriate to credit unions in an Irish context.

The financial indicators of OE used were the CAMEL ratios as explained in section 3.10.2. At the time of carrying out the research, these were the financial performance indicators used by credit unions themselves in Ireland, although this has since changed. Since these indicators were already calculated by credit unions and by the Irish League of Credit Unions on an annual basis, the ratios for the credit unions within the geographical area being studied were made available to the author with the prior permission of each credit union. The identities of the credit unions were known to the author but are not revealed in the research, as promised.

The non-financial indicators were determined and examined from the perspectives of the people involved in credit unions. This meant that, firstly, the main groups of activists in credit unions had to be identified. This type of approach, adopted by Hayes (1996), is defined by Boulton & Hammersley (1998) as *grounded theorising* whereby the people studied in an organisation may use terms that are particularly significant for understanding their behaviour. Therefore the results are grounded in the actual experiences of those being studied.

Credit unions are essentially comprised of both staff and volunteers. Staff normally comprise managerial and non-managerial staff, while volunteer positions are usually either for managerial purposes on the board of directors and for more operational activities at committee and volunteer teller levels. There is much overlap in the membership of the board and of sub-committees (McKillop et al, 2002). There is also a group of volunteers that do not readily fall into these categories – the Supervisory Committee - whose duty it is to be an ‘internal watchdog’ for credit unions.

Thus, it was determined that the following groups of credit union activists were appropriate to be consulted for their views on how OE is defined in credit unions:

1. Directors and sub-committee members (often the same individuals)
2. Salaried Managers
3. Salaried non-management staff
4. Volunteer staff

5. Supervisory Committees

The reader will note that general members were not chosen as a distinct group of stakeholders, similar to the work of Hautaluoma et al (1993). Future research may benefit by finding ways of incorporating the general membership.

The author was able to use the opportunity to access groups of credit union activists in different settings throughout Ireland for this stage of the research. This necessitated the use of different methodologies for collecting similar types of information, a method recommended by Campbell (1976). The level of access that was available to the author determined the method used. For example, at a conference of the Institute of Credit Co-operative Administration in Ireland, the author was given access to a large group of managers and directors of credit unions to conduct five unstructured workshops where participants were asked to discuss and define what they felt indicated OE in credit unions. In another setting, the author had access to a group comprised mainly of salaried and volunteer staff where it was possible to administer a brief and open questionnaire to seek their views on possible OE criteria. A very brief presentation was provided to each of the groups about the concept of OE to ensure that each group had a common general understanding of the issue, but without biasing the responses that would be given. The final groups used were comprised as shown in Table 5.1 and Table 5.2.

TABLE 5.1
Final Groups

Group	Main Composition	Methodology
One	Directors, managers	Workshops and open discussion
Two	Directors, managers and non-managerial staff	Open questionnaire
Three	Voluntary and salaried staff	Open questionnaire
Four	Supervisors	Open questionnaire

TABLE 5.2**Composition breakdown**

Group Characteristic	Group One (53)	Group Two (16)	Group Three (10)	Group Four (41)	Total (120)
Positions	2 salaried tellers 29 managers 22 directors	7 voluntary and salaried non- management staff 3 managers 6 directors	10 voluntary and salaried non- management staff	41 supervisors	19 voluntary and salaried non- management staff 32 managers 28 directors 41 supervisors
Gender	21 female 32 male	11 female 5 male	8 female 2 male	17 female 24 male	57 female 63 male
Age	2 x 25-34 13 x 35-44 21 x 45-54 12 x 55-64 5 x 65+	2 x 18-24 6 x 25-34 4 x 35-44 3 x 45-54 1 x 55-64	3 x 18-24 2 x 25-34 4 x 35-44 1 x 45-54	4 x 25-34 7 x 35-44 4 x 45-54 15 x 55-64 11 x 65+	5 x 18-24 14 x 25-34 28 x 35-44 29 x 45-54 28 x 55-64 16 x 65+
Credit union type	51 community 2 industrial/ Associational	13 community 3 industrial/ associational	8 community 2 industrial/ associational	36 community 5 industrial/ associational	108 community 12 industrial/ associational

The profile of the 120 respondents broadly represented the profile of credit unions and their membership in Ireland. All of the main groups of credit union activists identified were represented. 90% of the credit unions represented were community based credit unions – the overall proportion of community-based credit unions in Ireland is 91%. The respondents were well-balanced between male and female as is the membership of credit unions in Ireland (McKillop et al 2002). Each of the age groups of credit union activists was also represented, although there were less respondents at the lower and upper ends of the age scale.

On the other hand, it is important to bear in mind that these groups, while appearing to be well-balanced on a number of criteria, were self-selecting. There was potential for this self-selection to distort the eventual results.

5.4.1 Data collection and analysis

The data collected from the four groups was highly qualitative and descriptive in nature, and somewhat similar to the type of data a researcher would find emerging from focus groups. Therefore, data was compiled using the ‘long table’ approach (Kreuger & Casey, 2000). This involved physically cutting the transcripts of the workshop discussions and the various questionnaires apart on a long table in order to categorise the data into emerging themes. As suggested by Boulton & Hammersley (1998), nothing was eliminated and as many categories as possible were generated regardless of their perceived relevance and reflected the exploratory nature of this stage of the primary research. As they assert:

“the goal of grounded theorising is to facilitate the more rigorous definition of categories through the process of analysis of what categories are appropriate and how they are to be defined” [Boulton & Hammersley (1998:294)].

The next step was to list all of the criteria that were mentioned in each group. This resulted in a large list of possible OE criteria. In order to refine this list, it was decided to retain only those criteria that were mentioned by more than one of the groups (Drumm, 2001). This also helped to reduce any bias that the researcher may have had in deciding on which criteria to include and which to leave out. Table 5.3 lists the 16 criteria that were mentioned by more than one group, and the groups that mentioned these criteria.

TABLE 5.3
OE Criteria

OE Criteria	Group One	Group Two	Group Three	Group Four
Services				
Staff				
Growth				
Financial				
Premises				
Communication				
Member participation				
Training and education				
Planning, management and leadership				
Relationships between personnel				
Community				
Perceived 'overall performance' of the organisation				
Values and philosophy				
Members' views				
Humanity of credit union				
Image				

Even though it had been decided to include CAMEL ratios as measures of financial performance prior to conducting the primary research, the use of some sort of financial ratios or measures also emerged as a criterion measuring OE in this research, consistent with the OE literature.

Member participation also emerged as a measure of OE. However, it was decided to exclude this criterion when measuring the OE of the credit unions in this study in order to reduce any possible effect a ranking of member participation might have on the eventual selection of credit unions to be case studied. As shall be discussed in section 9.2.3, this may have contributed to eventual difficulties with the methodology.

The main purpose of defining the OE criteria for credit unions was to enable the credit unions within the selected credit union Chapter to be rank ordered according

to their levels of effectiveness by expressing their level of agreement or disagreement with a number of statements about their credit union, where a score of 1 would indicate low effectiveness on a variable and 7 high effectiveness (See Appendix One for the questionnaire used). It was decided to ask the Supervisory Committee to self-rank the credit union according to the perceived level of effectiveness. The Supervisory Committee was used because this committee oversees the operations of the credit union and is elected by the members as an independent body within the credit union. By definition, then, the Supervisory Committee was expected to take a more objective view of its credit union's operations than any other individual or group of individuals within that credit union. The CAMEL score for each credit union was used as the financial measure.

One credit union declined to participate in the research, bringing the potential sample down to 32. 24 of 32 questionnaires (75%) were returned. An initial review of the results from the Supervisory Committee rankings seemed unusual. Some credit unions that had a relatively poor reputation, from the author's experience as a credit union activist, appeared highest in the rankings, and vice versa. Given that this result did not appear to be accurate, it was then decided to extend the self-ranking of the credit unions to the Chairperson and Manager. The Chairperson and Manager were chosen because of their in-depth knowledge of the credit union operations and because they would represent the board, and ultimately the members, and the staff respectively. The mean responses of the three sets of rankers would be used as a measure of OE.

The Manager and Chairperson were requested to complete the same questionnaire separately. 25 Managers and 21 Chairpersons returned the questionnaire. 30 (94%) of the 32 target credit unions returned at least one questionnaire after four follow-up requests. 17 (53%) returned all three questionnaires.

5.4.1.1 Reliability Test – Cronbach's Alpha (α)

All data were collated using SPSS (Statistical Package for the Social Sciences). The questionnaire was then tested for statistical reliability using Cronbach's alpha (α). This tested whether the items in the questionnaire consistently measured the

underlying construct (i.e., Organisational Effectiveness [OE]) and thus would allow the summative or mean summative responses to be the measure of OE. The theoretical range of the coefficient alpha is 0 to 1, where 1 represents perfect consistency (and which is never attained in practice). According to DeVellis (1991), the minimum acceptable alpha is between 0.65 and 0.7. The questionnaire used to measure OE had an alpha of 0.9504¹⁷ making it, statistically, an extremely reliable instrument. This meant that the *mean* summative responses of each credit union could be used with confidence to measure the OE of the credit unions. The summative responses alone could also have been used but because only 17 credit unions had returned all three questionnaires, it was decided to use the mean summative responses for a wider sample of credit unions.

Table 5.4 shows the credit unions and the mean summative scores, starting with the highest scoring credit union. Each credit union is numbered rather than named to protect confidentiality.

TABLE 5.4
Mean summative scores

Credit Union ID	Mean summative score
1	6.6
2	6.53
3	6.31
4	6.27
5	6.15
6	6.12
7	6.12
8	6.03
9	5.98*
10	5.94
11	5.9
12	5.85
13	5.8
14	5.78
15	5.74
16	5.72
17	5.71
18	5.71
19	5.7
20	5.68

¹⁷ The standardised item alpha, that is, the alpha measured on the standard deviation, was 0.9573.

21	5.6
22	5.51*
23	5.4
24	5.34
25	5.33
26	5.28
27	5.26
28	5.18
29	5.17
30	5.15

*Credit unions selected for case study, presented in Chapter Six: CCU=5.98, ICU=5.51.

5.4.1.2 Reputational analysis and case study selection

At this point in the research, it became clear to the author, using a reputational approach [Forbes (1998)], that a number of respondents may have, on average, over-ranked their credit union while others may have under-ranked their credit union in terms of effectiveness. In order to confirm this finding and to neutralise any potential biases of the author, a long-standing credit union practitioner with 40 years' experience at international, national, regional and local credit union level and who is very familiar with the credit union Chapter being studied was asked to conduct a rank-ordering of the credit unions from his experience. His rankings largely disagreed with the self-rankings of the credit unions, confirming the author's suspicions that some credit unions had over-ranked themselves, while others had under-ranked themselves.

For example, the credit union that had ranked itself the highest has a reputation of being an extremely weak credit union. It is an industrial based credit union with less than 50% penetration of its common bond. It opens once a week to provide a very limited range of services to its members in a run-down, upper floor office. One of the main strengths of any industrial credit union is its natural ability to offer a direct payroll deduction service, ensuring the growth of the credit union through regular savings and ease of loan repayment. Despite the fact that the company which the highest ranking credit union serves offered to facilitate a payroll deduction scheme for those employees who are members of the credit union, this credit union decided not to get involved. The credit union's accounts are not computerised, probably unheard of in the large majority of credit unions. All correspondence is hand-written with no personal computer for word-processing, using email or the Internet,

keeping minutes, and so on. The board is comprised almost entirely of male, retired and somewhat conservative members. Delegates from the credit union rarely attend Chapter or League events or co-operate with other credit unions in any way.

On the other hand, the credit union that ranked itself the lowest would certainly have no cause to be ranked so low. This credit union was the subject of a different study on a related issue carried out jointly by the author in the recent past¹⁸. Thus, the author has detailed insights into the credit union and its operations. This is a community-based credit union with near full penetration of its common bond and offering as full a range of services as most other credit unions. It is located in purpose-built premises with a very central location in a rapidly expanding community. At the time this research was being carried out, the credit union had a dynamic, personable manager who was very well liked and respected among the members, to the extent that she received a ‘woman of the year’ award in the local community. She had a sympathetic approach to the members and was an extremely effective office and staff manager. The credit union was well-known within the credit union movement for its contributions to the wider movement. It was also heavily involved in the local community, particularly in providing support to an elder care project.

These are brief descriptions of the credit unions that ranked themselves highest and lowest. Judging by the reputation of these credit unions and practical knowledge of the author and a long-standing, local credit union practitioner, these credit unions could not be reliably selected for study. A detailed discussion of possible explanations for this result is presented in section 9.2.1. The situation left the author with the difficulty of being unable to choose reliably the most effective and least effective credit unions for the study of member participation as originally planned. To overcome this difficulty it was decided to continue to conduct case studies of two credit unions but to choose them in a slightly different way. The first was chosen on the practical basis that the author had been a member participant of this

¹⁸ McKillop D., O. McCarthy, M. Ward, R. Briscoe & C. Ferguson, *Women in the Irish Credit Union Movement: North and South*, Oak Tree Press, Cork, 2002

credit union for approximately eight years and had unlimited access as an insider. This would help to offer in-depth insights into member participation without access difficulties. The credit union had been self-ranked 9th from the bottom of the OE scale of credit unions. It is an industrial credit union, and is referred to throughout the text as ICU. The second was chosen on the basis that it was self-ranked 9th from the top of the rankings. This was a community based credit union and is referred to in the text as CCU. 12 credit unions had ranked themselves in between these two credit unions. The case studies were conducted to explore member participation and effectiveness in credit unions at two different points on the effectiveness scale with two purposes:

- a. to examine what, if any, differences there were in member participation and effectiveness between the two credit unions with a view to reaching some conclusions about the relationship between member participation and OE, and
- b. to identify aspects of member participation in credit unions, in order to study member participation in a wider selection of credit unions within the credit union Chapter.

Although the difference in the mean summative score of each of the two credit unions was not large (5.51 vs 5.98), it was hoped that, given the spread of the two credit unions across the scale, insights could be gained into the differences in member participation between the two. At the same time, it was recognised that these credit unions were in what Herman & Renz (1999) refer to as ‘the murky middle’, that is, neither at the top nor at the bottom of the OE scale, where they had found no substantial differences between organisational characteristics. However, given that the reputational analysis did not allow for the selection of the highest and lowest scoring credit union, this was seen as the next best option, particularly given the far-reaching access the author would have to ICU.

5.5 Examining member participation - Conducting and analysing two case studies

It was seen throughout Chapter Three how the literature relating to the definition and measurement of OE is vast. Many theories have been formulated and developed and a number of measurement techniques have been fine-tuned. On the other hand, it has been seen that the literature relating to member participation, particularly in co-operative type organisations, is severely underdeveloped. Indicators of member participation are sparse and measurement techniques non-existent. In approaching the measurement of OE in this research, a number of guidelines for measurement were clear. However, in approaching the measurement of member participation, the author was faced with a 'blank canvas'. The decision, then, was how best to approach the issue. Arguments could be put forward to suggest that the best approach might be to follow a similar path suggested by the OE literature: ask key stakeholders in credit unions to identify indicators of member participation and then ask credit unions to rank themselves on these indicators. While this may well be a plausible approach, it became clear that it could be problematic, especially considering the difficulties faced by the author having adopted this approach for OE. It was decided then that, given the very nature of member participation, an exploratory approach might best serve the purposes of the research, while accepting that there are other potential approaches that might be used in further research.

Individual case studies were used to provide a framework within which to follow a holistic approach to studying member participation and to a lesser extent, organisational effectiveness, in credit unions and to fulfil the aims of the research in terms of establishing the nature of the relationship between member participation and the organisational effectiveness of credit unions.

Member participation is a process that is not easily measured. Case studies are used in research to focus on processes rather than outcomes and provide detailed descriptions and analysis of particular instances or phenomena. According to Yin (1989:23), a case study is:

“An empirical enquiry that:

- investigates a contemporary phenomenon within its real-life context; when*
- the boundaries between phenomenon and context are not clearly evident;*
- and*
- multiple sources of evidence are used.”*

Furthermore, according to Merriam (1988:12-13), case studies are:

1. *Particularistic*, in that they focus on a particular situation, event, program, or phenomenon
2. *Descriptive*, in that the end product is a rich description of the phenomena being studied
3. *Heuristic*, in that they allow or assist in discoveries about the phenomena being studied

The main advantages of case studies are that they enable the researcher to capture a setting rather than a static attribute and offer understandings of humans as they engage in action and interaction (Merriam, 1988).

Given the complex nature of member participation in credit unions, it was deemed appropriate that the case study method be used to examine it holistically and dynamically.

As discussed earlier, two case studies were chosen initially. The first, ICU, was chosen on the basis that the author is heavily involved in it as a volunteer and could easily secure in-depth access to all personnel, books and records. This was agreed by the board. The author was aware that bias was a potential problem in undertaking this case study, as her view could be coloured by her involvement. It was decided that when the case study was written up, it would be read by one volunteer and one staff member in ICU to confirm that it was an accurate view of the credit union and was not biased by the author's personal experiences. This was duly carried out and both readers confirmed what they perceived to be the

objectivity of the case study. The second case study was carried out in CCU, and chosen on the basis that it was ranked the same number from the top of the OE scale as ICU was from the bottom. The author did not know any of the volunteers or staff with CCU prior to conducting the research. An initial approach was made to the manager, and then to the board in writing. The board agreed to allow the credit union to be studied on the basis that neither the credit union, nor its personnel, would be named or identifiable at any time in the research. Access to the minutes of board meetings and committee meetings and access to board meetings themselves were not permitted, except when the author was invited to explain her proposed research to the board. This caused difficulties in that the author could not observe meetings in progress and could not access records of decisions made, and so on. Therefore, far more information could be accessed in ICU than in CCU. However, the potential for bias was far less in CCU than it may have been for ICU.

Indicators of member participation were drawn up on the basis of the case study findings and the examination of literature and best practice in other co-operatives. These indicators were then used in an examination of member participation across a larger sample of 10 credit unions, as explained in section 5.5. The two case studies were also used to compare practices across credit unions at two different points on the OE scale which was carried out according to the criteria drawn up in the earlier analysis.

In-depth semi-structured interviews were held with twenty volunteers in CCU: twelve of thirteen board members, two of three Supervisory Committee members, both of the two committee members who are not on the board, and three of the five voluntary tellers who are not involved in any other capacity. One other volunteer was interviewed, as well as each of the six full-time employees. Annual reports and promotional literature were also examined.

Most of the data employed for the ICU case study was taken from previous research reports, annual reports, board meeting minutes, informal discussions with activists, the credit union's website, and from the author's own experience.

5.6 Theorising about OE and member participation

In order to assist in the analysis of OE and member participation in the case studied credit unions, in-depth theorising was conducted into the characteristics of a theoretical credit union that is highly effective and which fully engages the members in participation. This was conducted by drawing on both the relevant literature and practice in other co-operatives and credit unions. It also drew on previous research carried out by the author over the past 5-10 years into member participation and innovative practice in credit unions, as well as general knowledge about credit unions and other co-operatives around the world. It was conducted in a structured way, divided according to the OE criteria, as detailed in section 5.4.1 and the indicators of member participation, as discussed in section 5.5. While there were clear gaps between practice in the theoretical credit union (TCU) and practice in the two case studies (CCU and ICU), the theoretical credit union was used to show how much more CCU and ICU could be doing to improve their effectiveness and to involve the members more fully. TCU was also used to assist in a theoretical examination of the relationship between OE and member participation in credit unions.

5.7 Examining member participation - Conducting and analysing the study of the wider selection of credit unions

A random sample of ten credit unions within the credit union Chapter being studied was selected for a wider, more detailed study of member participation. All of these credit unions had been involved in the initial study of OE and had been ranked at different points right across the scale. Of a total of 30 credit unions to return at least one OE questionnaire, these 10 credit unions had ranked themselves as follows:

2nd, 6th, 10th, 11th, 12th, 16th, 18th, 20th, 24th, 25th

Therefore there was a wide range of credit unions within the scale. All credit unions were contacted by the author and willingly agreed to take part in the study. Confidentiality of the credit unions and the individuals interviewed was guaranteed, hence no names or characteristics which might lead to identification are revealed.

Interviews were conducted in each credit union with at least two, if not three, of the following: the manager, the chairperson, and a member of the supervisory committee. These interviews took place on the premises of each of the credit unions in question, also affording the author with the opportunity to observe the environment within which the credit union was operating.

There was a very wide diversity in practices in each of the credit unions, in terms of member participation, which in some respects made it extremely difficult to collate the data collected. At the same time, there was a similarity in attitudes towards member participation. The data was collated to reflect the experiences of the ‘typical’ credit union and is presented in Chapter Eight. There appeared to be a wide divergence in how the typical credit union behaves towards the issue of member participation and how, perhaps, credit unions *should* behave towards the issue of member participation. The reasons for this divergence were explored.

5.8 Recap on research difficulties and limitations

A number of difficulties were experienced in carrying out this research and led to there being a number of limitations in the way the research was carried out. The reasons for some of these difficulties are discussed more fully in Chapter Nine.

Firstly, it had become clear that there were difficulties with the ranking of credit unions on the OE scale. Some credit unions appeared to over-rank themselves while others appeared to under-rank themselves. Possible explanations for this, and its implications, are delved into throughout section 9.2. The result for the research was that the highest ranking and lowest ranking credit unions could not be confidently selected for a study of the relationship between OE and member participation. This resulted in the selection of two alternative credit unions which, while still some distance apart on the scale, were still much closer together in ranking than was originally intended. Given that the methodology employed (self-ranking by the credit unions as recommended by the literature) did not appear to be entirely appropriate, it is difficult to say to what extent ICU and CCU were more or less effective than each other. This means that the analysis regarding the relationship

between member participation and OE in ICU and CCU is somewhat limited and certainly not conclusive, as shall be seen in Chapter Nine.

Another difficulty in this research was the necessity to use CAMEL ratios as a measure of financial performance in credit unions. As described in section 3.10.2, the research took place during a transition between the use of CAMEL ratios and PEARLS ratios. CAMEL ratios had to be used, as PEARLS ratios had not been calculated. It is recognised that CAMEL ratios did not provide an entirely accurate measure of financial performance because of their inherent difficulties.

5.9 Conclusions

This chapter has examined the methodology employed in carrying out this research. It has also explained some of the difficulties which arose during the course of the research, difficulties which will be discussed again in more detail later.

Both qualitative and quantitative approaches were taken to the measurement of OE. In accordance with the literature, credit union personnel were asked what they felt were the indicators upon which OE should be assessed in credit unions. They were then asked to rank their own credit union on each of these criteria. The results showed that their perceptions of their own credit union's effectiveness were not always consistent with the reputation of the credit union, which led to difficulties in distinguishing between effective and less effective credit unions. A more qualitative approach to examining OE in credit unions, using the criteria defined by credit union personnel, was also conducted using case studies of two credit unions as well as by examining OE in a highly effective, theoretical credit union. This helped to compare and contrast practice in the case studied credit unions with that of a highly effective credit union. A more detailed discussion of the methodological considerations regarding the measurement of OE will take place in Chapter Nine.

A qualitative approach was taken to examining member participation in credit unions. The two case studied credit unions were used to identify current practice and to assist in drawing up a typology and indicators of member participation. The

typology and indicators were then used to examine member participation in a broader sample of credit unions. Practice regarding member participation was then compared and contrasted with practice in a highly participative, theoretical credit union. An exploration of the relationship between effectiveness and member participation was then conducted, by examining OE and member participation in the case studied credit unions and in the theoretical credit union. This is contained in Chapter Nine.

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Chapter Six

Case studies

6.1 Introduction

This chapter is divided into two main parts, Part A and Part B. Both Parts each contain a case study of a credit union. The aim of the case studies is two-fold:

1. to conduct a qualitative examination of member participation and OE in two different credit unions
2. to assist in identifying indicators of member participation for a broader examination of member participation across a wider selection of credit unions. (This is shown in section 8.2.)

6.2 Case study approach

The case studies contained in Part A and Part B are of credit unions ranked at different points in the OE scale (see section 5.4.1.1) – one was ranked ninth from the bottom of the scale and was selected because the author is personally involved on the board and could offer insights as an insider to the organisation. This credit union is an industrial based credit union and is referred to as ICU throughout the text (Part B). The other credit union was selected as it was ranked ninth from the top of the scale. This is a community-based credit union and is referred to in the text as CCU (Part A).

As discussed in section 5.5, the examination of member participation in this research is largely exploratory, reflecting the sparse literature in this regard. Thus, the examination of member participation here is also used to identify indicators of member participation that are developed and put to use in Chapter Eight. The examination of OE in the case studies is less exploratory in that indicators for Irish

credit unions had already been drawn up in this research according to the overall recommendations of the copious literature in this area. These criteria are used to examine OE and are as follows:

- Services
- Staff
- Growth
- Premises
- Communication
- Training and education
- Planning, management and leadership
- Relationships between personnel
- Community
- Perceived 'overall performance' of the organisation
- Values and philosophy
- Members' views
- Humanity of credit union
- Image
- Financial

It might be argued that comparing credit unions with two different common bonds may not give a solid basis of comparison, given some of the inherent differences in such credit unions, often including social class of the members, differing services, frequency of contact with the members, geographical spread of the membership and so on. However, in terms of member participation, it was felt that, while the methods of mobilising members to participate might differ across different types of credit unions, the actual *process* of participation itself will be inherently similar. In terms of OE, the OE criteria were drawn up using personnel in a mixture of industrial and community based credit unions and so reflect the indicators of OE across the two types of credit union.

In order to protect the anonymity of the credit unions that were studied, and the individuals who were interviewed, no names are given, and details that may identify the credit unions studied remain vague.

PART A:

CCU – Community Credit Union

6.3 Background

CCU is a community-based credit union, formed in the mid 1960s in a medium-sized suburban town. Its common bond covers all individuals who live or are employed within a very distinct geographical area. It was established primarily by a group of men employed in a local manufacturing company to provide financial services to the local community and to provide an alternative to conventional financial institutions. A group of 6 men met initially and began to learn about the operations of credit unions together and from other established credit unions. Eventually, with the help of ‘word of mouth’, a group of 13 men officially formed the credit union in the area. As was common in many credit unions at that time, there were no women involved.

CCU has approximately 7,500 members drawn from the local community and opens five days a week, including late opening on Friday evenings.

Indepth semi-structured interviews were held with nineteen volunteers: twelve of thirteen board members, two of three Supervisory Committee members, both of the two committee members who are not on the board, and three of the five voluntary tellers who are not involved in any other capacity. One of the volunteers running the ‘Sammy Stamps scheme’ was also interviewed. Indepth semi-structured interviews were also held with each of the six full-time employees. Annual reports and promotional literature were also examined. The researcher was not granted access to board meetings or board minutes.

6.4 OE in CCU

6.4.1 Services

CCU offers a range of services including savings facilities, borrowing facilities, Special Savings and Investment Accounts (SSIAs), foreign exchange facilities, death benefit insurance, rail tickets, group health insurance and 'Sammy Stamps', a savings scheme for primary school children which has been recently introduced. It had acted as a broker for other insurance related services, such as home and contents insurance, but withdrew these services because few members availed of them and because of tighter insurance regulations that were introduced. It has over €20 million in savings, approximately €15 million in loans to members and total assets in the region of €25 million. A policy of the credit union is that almost all loans and withdrawals must be issued by the manager and members wishing to transact such business must meet the manager in his office. Such members queue in an area to which they must be admitted individually by a staff member and are seen one by one by the manager. There is almost always a queue of members waiting to be seen by the manager, leaving the manager with little time for other business, other than when the office is shut.

The board of CCU is not convinced of the need for technologically based services and decided not to contribute to recent attempts within the Irish credit union movement to implement a central computer system for all credit unions.

All loans in CCU are charged at the maximum amount laid down under legislation, that is, 12.67% APR (or 1% per month on the reducing balance of the loan). This is despite the fact that, because of competitive pressures, many credit unions have dropped their interest rates and offer different categories of loans at different rates. CCU prefers instead to offer a loan interest rebate at the end of each year to reward borrowers who have made repayments on their loan.

CCU prides itself publicly on its commitment to young members. Over 30% of its members are aged 24 years or under. This commitment is shown through its

sponsorship of youth groups and through the provision of a ‘Sammy Stamps’ savings scheme for local school children. However, as will be discussed later, this commitment spreads no further.

Overall the range of services offered by CCU is limited and does not look set to expand in the near future. No member surveys have ever been carried out in CCU so it is difficult to estimate the level of satisfaction the members have with the existing services and what, if any, new services they would like to be introduced.

6.4.2 Staff

There are 6 fulltime employees – 4 female and 2 male, including the manager. Female employees wear uniforms while male employees wear suits. Voluntary tellers, of whom there are 8 in total, including 3 board members, are all female, and dress smartly but do not wear uniforms. There has been no turnover in staff for at least 5-7 years.

Behind the scenes, the employees fulfil a number of duties besides counter work. There is little division of labour in CCU – each employee is able to carry out all tasks and these rotate from week to week. As a result, there are no opportunities for promotion for employees. The back office is on view to the members in the public office. It is always kept neat and tidy even during the busiest days.

Observation suggests a very strong relationship between the staff of CCU and the members. All staff members appear to be friendly and approachable to the members.

In interviewing the staff, it was clear that they are unhappy in their positions and severely unmotivated. They see little reason to work harder than the bare minimum standard required. They have no interest in being involved on committees or in receiving training. One staff member summed up the feeling of the staff as follows:

“We come here everyday and do what we have to do. There is no point in trying any harder here in CCU. I used to serve on a committee. This was

voluntary work and I got no thanks for it and usually ended up having to implement all committee decisions because I am in the office daily. As staff we are quite bitter about our work. The only reason we haven't left is because it is so convenient to us – I live about a 5 minutes walk from here. It's the same for the others – they all live in the area and it would be too much hassle to look for a job elsewhere.”

The manager stated:

“The board do not fully appreciate me. I feel like I am taken for granted. A lot of things get landed on me – I get all the lousy jobs. They are probably not even aware now of all that I do. The work rate of the staff is second to none. The board do not appreciate the work they do.”

Staff salaries are also contentious in CCU. There is a feeling among the staff that no staff member in CCU will ever be paid more than the board member who earns the least in his/her employment. They pointed out that when the minimum wage legislation was introduced 4-5 years ago in Ireland, several staff members in CCU had their wages increased to reach the minimum required under the legislation. Staff also spoke about when the credit union moved to its new premises. The staff had worked particularly hard and remarked on the fact that the board gave them no recognition for this work, whereas the manager took them all to lunch and gave them flowers.

Therefore, while the staff themselves may be effective in performing their duties, the way staff are treated by the board of directors does not appear to be particularly effective.

6.4.3 Growth

Examining the growth of assets, savings, loans and members in CCU over the past 10 years shows that growth has been sustained well. CCU has grown from €6 million in assets to €25 million in just under ten years, from €5 million in savings to over €20 million and from €5 million in loans to members to approximately €15

million. For much of the past 10 years, lending has exceeded borrowing, a fact which would be the envy of most credit unions.

Membership has also doubled in the past ten years. This might be expected given the expansion in the local population. The community in which CCU is based has grown rapidly over the past 5-10 years as a result of the development of several new housing estates in the area. The capacity for growth in membership is probably even higher than the figures suggest, however, because the credit union does not target these estates for new members. When the author suggested to several board members that they might at least do a leaflet drop in these areas, it seemed that no one had as much as thought of recruiting new members from these areas

6.4.4 Premises

Like many other credit unions, CCU first operated from basic premises provided by the local Catholic Church and gradually progressed to newly refurbished offices in the 1970s. As the credit union grew in membership size, these offices became more and more restrictive, as they could only fit 5-6 members inside at any one time. In the 1990s, new premises were purchased and suitably fitted to house the credit union offices. Today, despite the presence of three other banking institutions in the community, the credit union has a significant presence and, according to key witnesses, has become synonymous with the area in which it is located. Designated parking is not provided for the members although street parking is available outside the premises.

The premises present a professional image. The public office is spacious with reasonable space between each counter for members to transact their business privately. Large panels of bullet-proof glass separate the public space from the staff, with slits in the centre of each panel to allow transactions to take place. There is a queuing bench in the centre of the public area where members can sit while they wait to be served. Despite numerous attempts to establish a standard practice, there appears to be much confusion among members as to the most appropriate end of the bench to sit on. A notice board advertises various services provided by the credit union to the members. A separate area of the office is used for the granting of loans

and withdrawals. Out of view of the members are a number of offices, as well as a kitchen, board room, and walk-in safe. On the wall outside the board room is a white board on which dates of the next board meeting, committee meetings and Chapter meetings are placed to keep all personnel informed. The board room is reasonably modest but very attractive and looks out on spectacular views of local scenery.

6.4.5 Communication

Communication in CCU is generally poor. At board level, the sole communication between most board members is at the monthly board meeting. Board members generally come unprepared to the meetings as they do not receive the written reports to the board until they arrive at the meeting. The majority of reports are presented verbally without the use of visual aids.

The manager is responsible for reporting relevant decisions back to the staff which he does on a haphazard basis. There are no staff meetings in CCU and so most information is passed around through staff by word of mouth. In the author's experience, the morning coffee break in the kitchen was when most key staffing issues were discussed.

Communication between the various committees does not take place in CCU. Formal communication with the members is irregular and normally takes the form of various leaflets available in the office and the annual report. As discussed later, the annual report of CCU is not produced well enough or in sufficient numbers to reach many members. The AGM is the other main formal way in which communication can take place with members. As will be seen later, the numbers attending are quite low. Informally, the members can speak with any staff member if they so wish and make their views known. There is, however, no formal procedure through which member views can then be passed to the board.

Therefore, communication in CCU is poor and is unlikely to reach the members to any great extent.

6.4.6 Training and education

CCU could not be described as effective on the issue of training and education. Few staff and volunteers in CCU have training qualifications from their work outside of the credit union that are relevant to their credit union work. Few volunteers or staff have engaged in any form of credit union related training. In recent years, one board member and one staff member had taken a course in accountancy for credit unions. Four female board members had participated in an ILCU-run induction course for new directors. Quite a number of interviewees were very uncertain about what, if any, courses had been taken by volunteers in CCU.

On the other hand, several interviewees identified a substantial need for training of both staff and volunteers, particularly board members. One went so far as to say *‘training is sadly lacking in [CCU]; without it there will be no progress’*. Board members were described as engaging in *‘no training whatsoever’* and as not even being interested in it. It was generally agreed that if a volunteer or staff member wanted to do a training course the board would facilitate this. However, because there were a number of older, experienced members on the board, board members felt they didn’t need training and that they knew as much as they needed to know to run the credit union efficiently.

One board member did not agree that the board was open to anyone who wished to do training. She described a situation in the early 1990s when she had asked for the funding to do a particular credit union related course and had been turned down by the board.

One board member refused outright to take part in training. He said,

“I am averse to working out any changes in rules and how they came to be. I’m too lazy for training although I am very supportive of formal training. The board and everybody else in the credit union need formal training. The problem is availability – people don’t have time to do courses.”

He was one of two interviewees who stated that they are not ‘committed enough’ to the credit union to participate in the training. Some of the older interviewees were dubious about what they might learn from training. They felt that after their many years’ involvement, they know as much as they needed to know to run the credit union efficiently.

Furthermore, staff who wish to take training courses were described as facing a number of difficulties, primarily the problem that training may mean time out of the office and there would not be enough staff members to cover any absence. Furthermore, there was no incentive to partake in training as it would not result in promotions or salary increases. Another issue raised was the lack of payment of ‘petrol money’ in CCU to those who would have to travel long distances to training courses.

The manager felt he was not carrying out his full remit because he was not permitted to take any training courses. He said ‘*the board would freak out if I said I wanted to go on training.*’ In particular they will not pay for him to join a credit union manager’s association because it was felt he would be ‘*too militant*’ on his return from meetings. He said this was never stated to him but the board cites the cost of attending meetings as ‘*an excuse*’ not to enable him to attend. And he stated that he was not prepared to foot the bill from his salary.

It was agreed that in-house courses might be the way forward for CCU. This would be an inexpensive way to conduct training that would not involve much travelling. A board member had been appointed as a training liaison officer, as required under the Standard Rules, 3 months prior to this research. This officer seemed very unsure about the requirements of her new role and admitted that she hadn’t begun to fulfil any related duties. However, she was open to the idea of investigating in-house training.

6.4.7 Planning, management and leadership

This issue is discussed more fully in the discussion of the board of directors (section 6.5.2.1). CCU could not be described as particularly effective overall in terms of

planning, management or leadership. Leadership and direction in CCU comes primarily from the Treasurer of the credit union without whom, the credit union would find it difficult to function. There is a huge sense of dependency on the Treasurer, who, according to some board members, makes the 'real' decisions. While acknowledging the central role of the Treasurer in directing the credit union, a number of interviewees heavily criticised the Treasurer for the level of influence he has on the board. A number of interviewees observed that if he proposed something, most of the board would support him. If another board member proposed something and the treasurer opposed it, the proposal would often be lost.

Ironically, most of these observations were made by board members, who seemed to allow the Treasurer to dominate proceedings and seemed not to question his authority. Other board members did not agree that the Treasurer was as influential and felt that there were equal contributions made by all directors in directing the credit union.

There appears to be no formalised strategic planning process in CCU. For example, strategic planning days were not held. Most new ideas were seen to emanate from the Treasurer. The manager stated that any new ideas he had tended to be immediately 'shot down'. The members were never consulted on planning issues.

6.4.8 Relationships between personnel

An annual dinner dance is held for all personnel involved in CCU as a reward for their input and to foster good relations among them. However, relationships between personnel in CCU are mixed. Although board members appear to have reasonable relationships, there appear to be a number of cliques on the board and these can result in some board members feeling resentment that other board members 'know more' than they do or a feeling that decisions have been 'made' in advance of the board meeting. Relationships between the board and the Supervisory Committee appear to be somewhat strained at times. This can be attributed almost entirely to the presence of at least one strong character on the committee and on the board who do not always see 'eye to eye'.

It is between the staff and the board that relationships appear to be most strained. Because the staff view their working conditions to be poor, and because it is the board who decide on these conditions, there is some resentment by the staff of the board. The staff also claimed to be intimidated by the presence of the board members in the office. They claimed that they felt they were being watched. It was also agreed by the staff that if one of them were seen in the town by a board member when the credit union office was open, the board member would assume they were time-wasting. Relationships between staff appeared to very open and co-operative, and the manager seemed to have a very effective relationship with the other staff members.

From the interviews, relationships among personnel did not appear to be entirely healthy. Observation, however, did not suggest the existence of any significant problems among personnel. Board members and staff members in particular appeared to be open and friendly towards one another. So while there are clearly issues with regard to relationships in CCU, these did not appear to be overt or to affect the member directly within the office.

6.4.9 Community

There is a strong sense in this credit union that it is a locally based organisation established to serve the needs of local people. The office is open a little over 27 hours per week, probably an average opening for most financial institutions. There are no branch offices.

CCU's main involvement in the general community is its provision of services, as discussed in section 6.4.1. Additional support to the community mainly takes the form of small amounts of sponsorship funding to local sports groups, school and youth groups, and other community groups, which is normally in the region of €50 to €200 per group. The emphasis is put on funding youth groups, where youth are viewed as the future of CCU. The total amount given in sponsorship is loosely grouped in the financial accounts under 'Education and Publicity'. The total shown under this figure is a little over €12,000. This is the total amount spent by the credit union on training and education of staff, volunteers and members, on advertising

and publicity and on sponsorship of community groups for that year. This figure does not appear to be much, given the size of CCU's membership of 7,500. CCU does not get involved in community projects in any way other than through small-time sponsorship. It does, however, have a community notice board, where members can place classified advertisements. This notice board was also crammed with notices in the experience of the author.

It is clear that CCU makes some additional efforts to support its wider community, although there are probably more community-development oriented initiatives that the credit union could instigate and/or support. The manager said he was conscious that the credit union had excess funds to invest and that he would like to see some investment into alleviating the local housing crisis. The board, however, had turned this idea down, he claimed, without as much as a thought.

6.4.10 Perceived 'overall performance' of the organisation

The board of CCU seems to be reasonably content with the performance of CCU, based solely on the financial ratios in the financial accounts. Its performance on financial ratios alone is quite strong relative to the other credit unions within the Chapter. This is backed up by the field officer who monitors the credit union's operation each year. His emphasis is on the financial ratios and he has often commented that the accounts are impeccable.

CCU also measures its performance against the dividend and interest rebate offered by other credit unions in the Chapter, especially those of comparable size. This is the only type of benchmarking in evidence, other than the financial ratios.

As the members are never surveyed and member comments at the counter are not communicated back to the board, the board does not know how the members perceive its performance. The manager, backed up by several board members stated:

“all the members are interested in is 1. can they get a loan, 2. what size loan can they get, 3. how much will this cost, 4. what loan interest rebate will they get, and 5. what dividend will they get.”

Overall, the manager and staff feel the credit union could do better, in terms of a better range of services, reduced rates on loans, more co-operation with other credit unions, better staffing conditions, more training and education, a more effective board in terms of teamwork and leadership, greater contact with the members, and a transformed AGM.

6.4.11 Values and philosophy

Although CCU does not blatantly ignore its values and philosophy, it does little to promote them. While it does basically operate as a credit union, and promotes itself as a credit union, the ‘credit union difference’ is not clearly in evidence. As already discussed, training and education are not undertaken to any great extent, new member recruitment is not overly active, members’ view are not elicited, staff are unhappy, the direction of the credit union is strongly influenced by one person, services are quite limited, and as shall be discussed later, volunteer recruitment and succession is haphazard.

On the other hand, there appears to be some commitment to encouraging young members to join. CCU makes some attempts to co-operate with other credit unions through its involvement in a joint marketing initiative with other credit unions (despite strong initial misgivings), through its support of the local Chapter of Credit Unions and its attendance at the ILCU annual meetings. It also attempts to promote its credit union values and philosophy to the members in the annual report where it states that:

“Your credit union is a community-based, self-help savings co-operative providing you with the most equitable financial service. Save and borrow at [CCU] and see the power of local money working locally.”

This is, however, the only mention of the words ‘community’, ‘co-operative’, ‘self-help’, ‘equitable’ and ‘local’ in the report and is placed at the bottom of the second last page. There are no other leaflets, brochures or notices easily available in CCU explaining the philosophy and values of CCU. This is because the board and manager feel that the members are not interested.

6.4.12 Members’ views

CCU does not attempt to elicit the views of members in any way. It does not survey the members and does not have a suggestion box in the office. The main means through which the members can have their views heard formally is through the AGM, but the numbers turning out at the AGM are quite small, as will be discussed in a later section. The staff are, however, able to give an insight informally into how the members feel as it is they who are in contact with the members on a daily basis. Overall, they stated that the members are content with the credit union and the service it offers. The manager stated that if the members were not happy they would come to the AGM in larger numbers. One staff member remarked as follows:

“The members are not told what it means to be a credit union member and so they just accept what they are given. They see us as just another bank, although with a more local dimension. Maybe if they knew more about credit unions they would view us differently.”

6.4.13 Humanity of credit union

CCU shows great humanity towards the members, particularly through the manager. The manager spends almost his entire day speaking to members about loan applications and share withdrawals. There is always a queue of members waiting to be seen by him. In this way, he has built up a very close relationship with a large number of members, who confide in him. He is an extremely open and generous man and tries to help all members. CCU co-operates with the local branch of the Money Advice and Budgeting Service (MABS), referring members to the service and also taking referrals from the service. Some loan applications must be referred to the Credit Committee as they are outside the remit of the manager. The manager stated that often when the Credit Committee is not in favour of granting a

loan, it tends to change the decision when it meets the member face-to-face. This is a clear sign of the humanity of CCU.

6.4.14 Image

CCU presents a professional image through its staff and its premises and is synonymous with the area in which it is positioned, as mentioned earlier. It is also known for providing sponsorship to community groups in the area. Other than these activities, CCU does not do much to promote an image in the area or to gain publicity. As already discussed, its spending on publicity is quite small. It has, however, joined the Chapter marketing initiative which should help to strengthen its image over time.

6.4.15 Financial (CAMEL)

In the most recent figures made available by the Irish League of Credit Unions, CCU scored 91 out of a possible 100 (see Table 3.5 for an explanation). This is an exceptionally high score, being the third highest within its credit union Chapter.

6.5 Member participation in CCU

6.5.1 Membership

The computer software used by CCU does not provide much detailed information relating to the socio-economic characteristics of the membership. A precise gender breakdown could not be provided although guestimates were that it could be anything between a 50-50 and a 40-60 breakdown of males to females respectively. In making these guestimates, it was acknowledged that more women call to the office to transact business than men because women often manage the household finances. It was also acknowledged that most accounts into which regular standing orders are paid belong to men, thereby reducing the need for these men to call to the office to carry out transactions. This may affect the perceptions of key witnesses of the ratio of male to female members.

An age breakdown of the members could be provided and is presented in Table 6.1.

TABLE 6.1**Age breakdown of CCU membership**

Age category	% of total
0-15 years	19.17
16-20 years	7.34
21-24 years	7.61
25-34 years	20.91
35-44 years	16.49
45-54 years	11.79
55-64 years	9.12
65-69 years	3.05
70+ years	4.52

There is a general spread of membership across all age groups. Almost 20% of members are aged 15 years or less, reflecting the popularity of the Sammy Stamps savings scheme among primary school children. Just over 55% of the membership is aged less than 34 years, showing that CCU has quite a young membership base. These 55% of members account for just less than 26% of all shares and just over 36% of all loans. A breakdown of the social class of members could not be provided. This type of member information is not collected by CCU (nor by Irish credit unions in general). A reasonable estimate of the breakdown could not be attempted.

6.5.2 Opportunities for voluntary member participation in CCU

Opportunities for voluntary participation exist at board level, committee level and at the level of voluntary tellers. There are also some volunteers involved in the Sammy Stamps savings scheme for primary school children. There is also an opportunity for members to be heard and to participate in decision-making at the Annual General Meeting (AGM). There are no other significant formal channels for members to have their voice heard. Informally, members can make their opinions known to staff at the counter, but there is no procedure in place to communicate this opinion back to the board of directors. Furthermore, members can take an annual report of the credit union from the office, although this is not posted to members.

6.5.2.1 Board of directors

The board of directors in CCU has 13 members, 8 (62%) of whom are women and 5 (38%) of whom are men, an unusual gender imbalance for most Irish credit unions. Although the precise gender breakdown of the members is not known, it is reasonable to assume that the board is over-represented by women. The average age of the board members is 59 years with the youngest board member being a 46 year old female and the oldest being a 74 year old male. This is in sharp contrast to the age breakdown of the general membership, showing that the members aged less than 46 (approximately 71%) are not represented on the board by any members of their age. One of the female board members is in full-time employment. The five men on the board are retired (although one is a local town councillor) while the remaining women work full-time as homemakers or have casual or non-casual part-time jobs outside the home.

An examination of the existing or prior occupations of the board members shows that 8 (1 male and 7 females) hold or held non-manual positions such as secretarial jobs, while 2 males held skilled-manual positions, and 2 males and 1 female held or hold lower professional positions. There are no employers/managers, higher professionals, or semi-skilled or unskilled employees on the board. Socio-economically speaking, the board is comprised primarily of lower middle class members. As there is no reasonable guestimate of the socio-economic breakdown of the membership, it is difficult to say how representative the board is of the general members.

Five board members (3 men and 2 women) have continually held positions as directors for over 10 years. One of these men is the only surviving founding member of the credit union and who, with the exception of spending one year as a supervisor, has served continuously on the board since the credit union's foundation. Board members have served on the board for an average of 18 years each (see Table 6.2 for a breakdown). Only one member has served for less than 5 years. This would suggest that there has been a turnover of just less than half of the board in the past 10 years. The other half of the board has been in place (with the

exception of year long breaks from time to time) for between 11 and 40 years. This has given continuity to the board while also allowing new members to come on to the board. However, the fact that only one board member has served for less than 5 years would indicate that there has been little turnover in the board in more recent years. Table 6.2 also indicates that most of the turnover has involved females.

TABLE 6.2
Breakdown of length of board service

Years on board	Number involved	Gender
0-10 years	6	5 female, 1 male
11-20 years	2	2 female
21-30 years	1	1 female
31-40 years	4	4 male

Two board members possess third level education, ten possess second level education while one has primary level and vocational education. Eight board members are involved voluntarily with other local organisations, suggesting that people who volunteer for credit union board work in CCU are likely to be volunteers elsewhere.

The four key officerships on the board, Chair, Vice Chair, Treasurer and Secretary are equally divided between men and women. Both the Chair and the Treasurer are men, while the Vice Chair and Secretary are women. The assistant secretary and assistant treasurer are both female. Therefore, the two positions often seen as carrying most power, that is, Chair and Treasurer, are both held by men while those seen as carrying less power are held by women. One of the women on the board asserted that the only reason for this is that women don't have time to hold the positions of Chair and Treasurer. It was felt that the retired men on the board have more time to fulfil the responsibilities of these positions. Some viewed the position of Secretary as one of the more time-consuming roles. One interviewee stated that:

'Everyone wants the top jobs. No one wants the secretary's job. They want the glory. Being secretary is a tough job. No man proposed for this job would accept it – it's too much hard work. It's sexist, but it's viewed as a woman's job.'

Board meetings are held once per month and normally last for about 2-2½ hours. Each board member is presented with an agenda on the night and reports of most committees are presented verbally. No reports are made available in advance of the board meeting, thereby giving little time for consideration of each report. Decisions being made where a vote is required are taken anonymously to protect the board from any divisions or tensions that may result from members' votes being known. Board members agreed that there is no major tension on the board besides what was referred to as a degree of rivalry between the treasurer and one supervisor.

The board table is a long rectangular table. Each board member has a designated seat at the board table. This system of designated seating is one that has developed informally over the years. One interviewee commented that this system has resulted in there being 'a fighting corner' and 'a chatter's corner' at the board table. The fighting corner contains those at the meeting who are inclined to speak openly at the meeting and to enter into debate. The chatting corner was seen as being for those board members for whom the credit union was more of a social outlet – and according to a number of interviewees, these were some of the women on the board. One interviewee stated that constant chatting at the chatter's corner meant that the fighter's corner could not always be heard properly and that a round table might serve the meeting better. Several interviewees referred to domination of discussion at board meetings by two to three 'strong characters', particularly the treasurer and one of the supervisors. At least some of this can be attributed to the rivalry between two of these strong characters. One of these members, who is a supervisor, claimed that she regularly checked the work of the other member, the treasurer, so that he might be 'caught out'. The supervisor took great pleasure in finding a mistake in the treasurer's figures and described this as 'riling' him.

Seven board members and two supervisors expressed the opinion that the board meetings are dominated by a small group or by 'a clique'. It was felt that a number of board members did not contribute to discussion in any meaningful way and were 'benign'. Indeed, one interviewee went so far as to say that 1-2 board members are afraid to ask questions or comment at all. One board member admitted that she is passive at board meetings and rarely spoke. Another felt she had very little to contribute and did not possess the same high level of commitment as some of the longer serving board members. The passive role adopted by several board members was explained as being the result of a number of issues:

- a. the long years of involvement and experience of some board members which led the less experienced board members to sit back at meetings and only sometimes contribute to discussions. The less experienced would often look to the more experienced for guidance in decision-making.
- b. the aging of a number of board members
- c. the election of a number of members to the board without much, if any, previous credit union experience, such as teller work or committee work. Such experience was viewed as being essential for membership of the board.
- d. a lack of training particularly in the rules of credit unions. The treasurer was seen as having the most knowledge on credit union operations and therefore, as being the main decision-maker.
- e. an over-representation of women on the board where the women are not very opinionated and are intimidated by those who are. Most of these women were described as lacking confidence.
- f. a feeling by some board members that they are under duress to remain on the board because it is difficult to find volunteers prepared to replace them
- g. a certain sense of apathy on the board as a result of a desire to get the meeting 'over and done with' and an unwillingness to listen to reports for long.

The treasurer was particularly concerned that the board members were not interested in the financial accounts. He claimed that the board members' eyes 'glaze

over' when he is giving his report and yet whenever the annual dinner dance or the issue of bad debts are mentioned, all eyes light up and discussion is lively. The manager complained that when he had a report to present, some board members would say 'It's not going to be long, is it?' He stated that the board members do not show an interest in developments and activities at regional and national level in the credit union. The treasurer described one situation where the Chairman, in an effort to make everyone participate in a discussion around a particular proposal, went around the table person by person to elicit all views. He described it as a useless endeavour as all present 'ended up agreeing' to what was being proposed. This type of behaviour was put down to a lack of board training.

On the other hand, four board members (all female and not those who were pointed out as being domineering) did not agree that there was domination by a few 'strong characters'. They felt that everyone had an opportunity to have their say at the meeting and everybody would be heard if they had something to say. These board members seemed quite content with the way the board was operating although some admitted they felt intimidated when they first began attending board meetings. One board member commented:

"The first board meeting I attended was like Greek to me".

However, these four board members were adamant that the other board members explained all they needed to know as it arose.

One interviewee, who had resigned as a board member, felt that a strong 'clique' existed on the board comprised of the 'senior' members on the board, both male and female. She said she

'found it hard to voice an opinion. Every time I opened my mouth I was shot down. I got on with everyone but I just couldn't break into the clique. I was disillusioned by this. I've been asked to go forward for the board again but I won't.'

She later added

'the clique are dedicated people, but afraid they can't be done without. The newer women on the board are a threat now – they are more outspoken now and don't let anyone get away with anything.'

This sentiment was echoed by a volunteer who was not on the board who stated that

'Some board members discourage others from going forward for the board by being rude. Their attitude towards new board members is 'who do you think you are, you know nothing about the credit union compared to the rest of us'. Some of the women on the board are just as bad as the men. Other board members are great to encourage people to volunteer.'

Another existing board member claimed that

'if you have a voice on the board, someone else will have a louder voice, although this is beginning to change. There isn't much arguing at the board now. A lack of training and experience of committee work keeps board members quiet now.'

Three board members felt that some important decisions made by the board were actually only 'rubber stamped' by the board and the 'real' discussion around these decisions had already taken place prior to the board meeting between the chairman and the treasurer, who were described as being 'pally' or between the chairman and the manager. The chairman was described by one interviewee as being 'the treasurer's lapdog' and by others as 'poor' and 'weak'.

Most interviewees agreed that the credit union would find it very difficult to proceed without the current treasurer. He was described as being extremely knowledgeable on all credit union matters, as a '*whiz-kid*'. He has held the position of treasurer almost continuously since 1975 and was seen as a valuable asset to the credit union. On the other hand, the treasurer was also heavily criticised by a

number of interviewees for the level of influence he has on the board. A number of interviewees observed that if he proposed something, most of the board would support him. If another board member proposed something and the treasurer opposed it, the proposal would often be lost. Other interviewees disagreed, declaring that the treasurer did not have ‘that sort of clout at all’. The treasurer said he was aware that he is ‘talkative’ but pointed out that the board was not a vibrant one, unlike the boards he had served on in previous years. He felt that the term ‘benign dictator’ was appropriate to describe his style of leadership on the board.

One board member summed up the current board as being ‘tired’. She claimed that new board members were absolutely necessary to re-invigorate the board, although this was not likely to happen while the longer serving board members would not give up their places on the board to make room for newcomers. She herself had resigned from the board a number of years previously to make room for a younger member. A year later she found herself back on the board because candidates could not be found to fill a vacancy on the board. Another volunteer who has never been on the board felt that the board needs what she described as a

“massive influx of young people with new ideas and experiences. One or two new people won’t be enough because these will be swamped by the others. The existing board are so set in their ways they think they own the credit union. We need to get the fossils off the board!”

One longstanding board member was of the view that ‘*once you get on the board, you can’t get off*’. Another board member claimed that some of the existing male directors ‘*just won’t retire – they want the control and the status*’. Most of these male directors stated they would be happy to retire off the board if there were candidates to fill the vacancies.

A number of interviewees who had been involved at board level approximately 5-6 years ago, referred to what they called ‘the old board’. The old board was described as being ‘a great bunch’. Board meetings were extremely lively with the active participation of all present, numerous ‘healthy’ rows and debates took place, and

often, board members walked out of meetings over disagreements. Meetings lasted several hours and standing orders always had to be suspended. The board at that time was prepared to stay for half an hour after each board meeting to revise its knowledge of some of the credit union rules. Consequently, the board was very familiar with the credit union rules. There was also a social element to the meetings in that when they were over, all the board would go to the local bar for a drink together, despite any rows or disagreements that had taken place. It was claimed that this does not happen now as everyone is rushing to get home. An explanation for this may be found in an analysis of board membership. A clear shift began to take place in the board in the mid 1990s. Prior to this, the board was largely male dominated, in numerical terms, where the men outnumbered the women by 2 to 1. In the mid to late 1990s, the gender gap narrowed considerably and by 1999, women began to dominate the board numerically as many of the older men retired from active participation on the board. Perhaps it is the numerical dominance of women, primarily full-time home-makers, on the board that explains why meetings have shortened and board members do not have the time to give to go through the rules regularly and to socialise after meetings. One long-serving board member confirmed this view in saying that the reason the board was so vibrant at that time was because of the argumentative people who were on it. He described one of these people as some one who '*would argue with his fingernails*' and felt that although some look back on this board with fond memories, he did not share this sentiment and had, as a previous chairman, tried to cut the length of meetings and hence, reduce the extent of the arguing. Another suggested explanation was given by the manager who had been a board member until the mid 1990s. He proposed that the fact that he was no longer on the board had made a difference to its vibrancy. Although he is permitted to attend board meetings, he now attends as an employee rather than as a voting director. He felt that ideas and suggestions he makes do not always get a fair hearing now because he is employed to serve the board rather than be a part of it. This observation is borne out by comments from other board members who suggested that if the manager began to control the board, or if the board became professionalised in any way, they would be quick to resign their positions. The manager also explained that, while he was a vocal influence on the

board in the past, there were also other vocal board members whose opinions were listened to but who were now too old to serve on the board.

A record of board attendance was not readily accessible. However, in three annual reports, between 1995 and 1997 inclusive, a full record of attendance by board members and supervisors at board meetings was presented to the members. Taking 1995 as an example, there were 4 women and 9 men on the board and 18 board meetings were held. Average board attendance per meeting was 10.6. There was a full board in attendance on 3 occasions. The proportion of female to male absenteeism during that year was 12:31 in total showing no significant difference in proportional absenteeism between males and females in that year. The inclusion of the record of absenteeism was suggested by one board member but was dropped from the annual report in 1998 because it would have resulted in there being an odd number of pages, introducing printing problems. It has since been excluded although there appear to be plans to have this re-introduced as a source of information for the members.

Most, though not all, board members also hold positions on various sub-committees. Committees are discussed in the next sub-section.

6.5.2.2 Committees

A number and variety of committees exist in CCU. The statutory committees of Supervisory Committee, Credit Committee, Credit Control Committee, Membership Committee and Nominating Committee exist together with the Credit Control Committee, Investment Committee, Housing Committee, Promotion and Training Committee and a Dinner Dance Committee. There are also a number of officerships that may be filled, such as membership officer, training liaison officer, youth development officer, money laundering reporting officer, health and safety officer and insurance officer. All but the youth development officer and health and safety officerships are required to be filled under credit union rules. All of these officerships are filled, except the youth development officership.

Rules 94-114 and 134 of the Standard Rules for Credit Unions stipulate that only one member of the board of directors needs to be on the Credit Committee, the Credit Control Committee, the Membership Committee, the Planning and Development Committee and the Nominating Committee. In CCU, one committee, the Credit Control Committee has two non-board members on it. All other committees (other than the Supervisory Committee) are comprised of existing board members and/or the manager including committees that are not required under the credit union rules. Each board member holds at least one committee position. One other staff member has volunteered for a number of committees in the past but became what was described as '*soured*' when he found that he was left to implement any decisions taken because he was in the office and '*next to a phone all day*'. One ex-board member described himself as having been '*lumbered with committees*' when he was new onto the board, while one voluntary teller claimed that people avoid going to the AGM in order to avoid being put on a committee. This demonstrates some of the negative feeling towards committee involvement that arose from time to time throughout the research. Another interviewee claimed that the existing volunteers were really only interested in being on the Credit Committee and Credit Control Committee. Members of other committees were viewed as not being particularly interested in their committee work.

6.5.2.2.1 The Credit Committee

The credit committee is comprised entirely of board members, five in total. Four of these committee members are women. The gender balance on the credit committee has changed considerably over the past number of years. In 1993, there were four men and one woman. Between 1999 and 2000, a shift in the gender balance occurred which resulted in four women and one man on the credit committee. This is likely to be explained by a similar shift on the board at the same time. The average age of Credit Committee members is 55, slightly less than the average age of the board and very much unrepresentative of the general membership. The existing or prior-to-retirement occupations of the Credit Committee members break down as 4 in non-manual positions and 1 in a manual-skilled position. The names of the Credit Committee members are presented in the Annual Report.

The Credit Committee considers loan applications one night per week and meets with applicants on a separate night of the week. A breakdown of all loans issued throughout the year is presented in the Annual Report, showing the change on the previous year's figures. The rate of interest is 1% per month on the reducing balance, giving an APR of 12.67%, well above current market rates for personal loans, and above what most credit unions are currently charging for loans. Over the past 4 years, however, the credit union has given an interest rebate of 25%, bringing the effective figure to .79% per month. When questioned why the credit union persisted in charging high relative loan interest rates the Treasurer pointed out that it was better to give a rebate to reward members who did not default than to give a reduced interest rate to members who did default. A report of the committee is contained in the annual report, giving details of the number and size of loans granted as well as a breakdown of the loan purposes.

The Credit Committee was described by a Credit Control Committee member as being

'way out of touch, they are not business people, they give out money liberally, they don't listen to any recommendations from staff.'

One staff member pointed out that the board is out of touch with today's economy:

'the loan ceiling has been set at €20,000, where many board members would have bought their houses for €3,000-4,000. An increase in this ceiling will be a major problem because of the attitude of the board.'

The Credit Committee was viewed by one volunteer as a prestigious committee to be on. She claimed that there was always a rush of volunteers for the credit committee because a certain level of power and prestige was associated with it.

The Credit Committee does not meet with the Credit Control Committee, although one Credit Control Committee member claimed that they had asked a member of the Credit Committee to meet them regularly, but this had only happened once. The

employees in the credit union also observed the fact that there was no communication between the two committees. They were upset because the Credit Committee did not take their advice in granting loans and felt that some of the loans they give *'are strange, they are not given to the needy'*. They agreed that if it is early in the financial year, the credit committee are more liberal in the amounts they grant. If it is late in the financial year, the credit committee are much more conservative and careful about how much they will grant so that the accounts will look well. They also observed the fact that the Credit Committee will never reject applications from members they meet face-to-face.

6.5.2.2.2 The Credit Control Committee

CCU's Credit Control Committee is comprised of 3 females: one board member, one ex-board member and one other volunteer. Their average age is 49. One is a housewife while the other two work outside the home in non-manual positions. One staff member also joins the credit control meetings on a rotating basis to inform the committee of the changing status of borrowing members.

The committee meets once a month to consider members who are not paying their loans according to their loan agreement. Letters are sent to those who are defaulting. Members are given five opportunities to make amends before being referred to a solicitor.

One member of the committee described the work of the committee as follows:

'Loans are given out to the same defaulting members. It's not encouraging to have to go through the same people again and again. You feel stupid that the members are getting away with it. It's frustrating – it's the downside to volunteering. The people involved in the credit union don't care – it's not their money. It's galling to see some members getting loans. There is satisfaction, though, in seeing a member come back to repay a defaulted loan. The worst part is seeing someone who has defaulted in the past, back on our records defaulting on a new loan.'

Examining the figures in the annual accounts revealed that the ratio of bad debts written off to total loans has remained stable in the past 3 years and has actually decreased on previous years while bad debts recovered as a percentage of bad debts written off has decreased in the past 3 years from 88% to 46% but is still higher than it had been in previous years. The Credit Control Committee presents a short report in the annual report giving details of its main activities and the amounts recovered and written-off each year.

It would appear that the Credit Control Committee is actively fulfilling its duties.

6.5.2.2.3 The Supervisory Committee

The Supervisory Committee is comprised of 2 females and 1 male and meets once a week to carry out its duties, as well as attending the board meeting monthly. The average age of the committee members is 55 years. Two of the three supervisors agreed to be interviewed, one of whom had been a supervisor with CCU for 22 years.

The interviewees described their main activities as carrying out account verifications with members, checking loan agreements, checking cash, and checking the financial accounts. They also meet with board a few times a year.

They described their role as follows:

‘Being a supervisor you look at things differently than a director. You step back more and think about things more.’

‘We keep people on their tippy toes.’

‘Once the board are obeying the rules and not putting the members’ money in jeopardy, the supervisors have a great time.’

Board supervisors appeared to be quite pleased overall with the way the credit union was functioning. They concluded:

'Our people are very honest here in CCU. We are the best credit union in the Chapter from a working point of view. And we have a very good relationship with the board.'

One area that they both agreed needed improving was that of training. It was felt that the board and other personnel in the credit union need further training. Both supervisors agreed that the board need more training. Both supervisors also agreed that some board members had been on the board for far too long. One supervisor wished to suggest to the board that there be a limit set on the number of years for which an individual could serve on the board.

6.5.2.2.4 Other committees

There are six other committees within CCU: the Promotion and Training Committee, made up of 3 board members, which runs promotional events for schools, promotes savings, and responds to requests for sponsorship from various community groups; the Nominating Committee, containing 3 board members, which ensures there are enough nominations to fill vacancies arising from year to year on the board or supervisory committee; the Membership Committee, with 2 board members, which assesses applications for membership; the Housing Committee, containing the manager and 2 board members, which ensures the credit union premises are well-cared for; the Dinner Dance Committee, containing 3 board members, which organises the annual dinner dance for all credit union personnel; and the Investment Committee, containing the manager and the treasurer, which is charged with finding suitable investment strategies for recommendation to the board of CCU.

6.5.2.3 Voluntary tellers

There are 6 voluntary tellers in CCU, all of whom are women, including two board members. Their average age is 56. On average, each voluntary teller gives 3-4 hours service on the counter per week, and according to the manager, are invaluable to the smooth running of the office during opening hours. Three of the four non-board members were available for interview. All three volunteered because it gave

them the opportunity to meet people and to ‘get out of the house’. Two of the three are in part-time employment within the area.

There were mixed opinions as to whether the general members were aware that they were working in CCU on a voluntary basis. One of the members felt that the members were not aware while 2 felt they were. One stated that because she held other part time jobs locally the members would think she was also employed by the credit union. She commented:

‘members don’t know we’re volunteering. They say to us ‘you’re very cute, you’re working in several different places’. We try to explain to them that we’re volunteers – whether they believe us or not is another thing.’

All three agreed that they continued to volunteer with the credit union because they had made a commitment and this commitment had become a part of their lives. They agreed that they enjoyed the work and that there were no tensions with the employees whatsoever. One of the employees pointed out a situation in the past where a board member who worked on the counter became annoyed with the employees because she felt she was doing their work. This appeared to be an isolated incident of tension between the voluntary and paid staff.

All three interviewed claimed to have no relationship with the board. They had all been approached a number of times to go forward for election to the board or a committee but none was interested. One felt that nightly meetings would cut too much into her social life.

6.5.3 Annual General Meeting

All members are circulated annually with the financial accounts and notice of the AGM, as per the Standard Rules for Credit Unions. Estimates suggested that the AGM is attended by an average of between 60 and 90 people each year. A modest prize draw is used to attract members to the meeting. The meeting is held in an unattractive local hotel. A visit to the hotel showed it to be fairly inaccessible to

people with disabilities as it has several large steps to the front door. The meeting is held on the second floor, making it even less accessible.

The low attendance at the AGM was viewed by six of those interviewed as being ‘a vote of confidence in the board’. Eight interviewees disagreed, stating that it was a lack of interest and apathy. A large majority of the board, the staff members and other volunteers who were interviewed were of the opinion that the members simply did not care about the AGM – that it is found to be boring and repetitive. Six interviewees explained that the members only care about access to loans, loan interest rebates and dividend and if they attend the AGM they only do so to find out how much the credit union is giving back to them. One Supervisory Committee member stated that ‘everyone says the credit union is grand – Mr. X [the treasurer] is looking after it’.

The members who do attend AGM were described as

*‘Board members, other volunteers, staff members, and their families.
After that, it’s the usual ex-officios and a few more of the older members.’*

One of the staff members and one of the voluntary tellers asserted that the attendance at AGM depended upon who the candidates for election were. Some board members were described as bringing *‘a support posse with them to the AGM, just to prove they can be elected.’*

Another feeling expressed by a number of interviewees was that when certain members of the board wanted a particular individual to be ‘pushed off’ the board or not elected as a new board member, ‘a deliberate coup’ takes place whereby certain board members arrange in advance of the AGM not to support these individuals by way of votes.

According to the interviewees, few ask questions or make any comments at the AGM and were described as ‘waiting for the free sandwiches and the prize draw at the end’. Another interviewee described the AGM as follows:

'Each committee chairperson reads their report word for word directly from the Annual Report. Then they all thank each other for their contributions during the year. Then there's the draw. Without the draw no one would go to the meeting. Those who are disappointed not to win a prize in the draw then console themselves with a cup of tea and a sandwich and then everyone goes home.'

Although this may be a slightly exaggerated account of the AGM, it is not surprising that attendance is quite low.

There appear to be 2-3 members at AGM who make a substantial verbal contribution. These are viewed as being very predictable in what they will ask each year. One board member described it as follows:

"Only the ex-officios stir the pot."

One to three members who had been actively involved in the credit union in previous years ask informed questions. Many of the interviewees shared the view that these questions were 'stupid', 'senseless', and that the members who asked these questions already knew the answers and only asked them 'on behalf' of the other members present. One interviewee stated that these members are 'CCU begrudgers' because they had resigned off the board over an argument in the past. It was felt by two interviewees that these 2-3 members deter other members from attending the AGM. One interviewee had brought her son to the AGM once and said he would never attend again because '*one nitpicker dominated*'. One member of the Supervisory Committee held the view that these 2-3 members were '*not stupid*' and attended '*for a reason*'. Another Supervisory Committee member stated that these members who ask 'awkward' questions were actually the 'lifeblood of the meeting' and are 'very necessary'. The difference between the views of the Supervisory Committee members and the other interviewees on these 2-3 members is noteworthy. It would seem that these 2-3 individuals 'rock the boat' for the board

and interrupt the flow of the meeting. The Supervisory Committee welcomes this cross-questioning of the board.

A voluntary teller with CCU stated that members avoid going to the AGM because if they did they would 'get put on a committee'.

When asked what would attract more members to the AGM there was a general sense of despair among interviewees. One board member stated:

"We've tried absolutely everything and nothing seems to work. But it's the same in every credit union."

One volunteer teller asserted that the prize draw is "*pathetic*", while one of the Supervisors felt that the draw was the wrong reason for members to attend. Another felt that without the prize draw, only one tenth of the existing attendance would come.

There was a widely shared view that if there were any difficulties in running the credit union, the members would attend the AGM in larger numbers. One staff member commented '*if the members were unhappy, they would throng in the doors. If something affects them, they respond*'. This was reflected in a previous AGM where there was a larger than usual attendance (approximately 200) because of a taxation of savings issue that affected all members.

6.5.4 Volunteer recruitment and succession

According to the interviewees, the main ways in which volunteers are recruited in CCU are through announcements at the AGM, through a notice in the Annual Report, through word of mouth and through the Nominating Committee. This appears to be quite a thorough means of recruitment. However, although announcements are made at the AGM, there is little follow-up. Those who put their names forward at AGM are asked to attend a meeting where positions in the credit union are distributed. Little encouragement is offered. If these members do not attend that meeting, there is no one in the credit union responsible for contacting

that member again and encouraging them to call to the credit union to discuss what duties they might carry out.

An analysis of the contents of the annual reports of the credit union show that in fact a request for volunteers has not been made directly since 1996. A typical statement in the annual report would have read:

“We wish to record a vote of thanks to our voluntary workers for their efficiency and commitment during the year. We cannot over stress the importance of more members becoming voluntary workers, and thereby strengthening the pool from which directors and supervisors may be elected in the future. Anyone who feels they have something to offer should contact any member of the board or the manager.”

Inexplicably, from the 1997 report onwards, thanks to the volunteers are recorded but no request for volunteers is made.

The responsibility of the Nominating Committees in credit unions is to nominate members to fill vacancies on the board and Supervisory Committee. In CCU, the Nominating Committee meets two to three times in the year, during the period immediately prior to the AGM. At least twice in the past 10 years the Nominating Committee has put forward more potential candidates than there were vacancies on the board. This is often an unusual occurrence in credit unions where competition for board vacancies could not always be described as intense (McKillop et al, 2002). At least five of the interviewees, including two board members, viewed this level of competition with much cynicism, agreeing that there were only more nominations than vacancies when some board members wanted to push a particular board member off the board. Two clear examples were presented where this had occurred. In at least one of these examples, the extra nomination was sought from the floor at the AGM. This nominee was subsequently elected to the board without having had any prior credit union experience. This lack of experience was viewed by some board members as being hugely disadvantageous to both the board and to the individual involved.

On this issue, almost all interviewees agreed that it is vital to have some credit union experience before being elected to the board. And even if one has experience, it is often difficult to understand what is being dealt with at board meetings. Of the fourteen interviewees who explained how they first got involved on a voluntary basis in the credit union, eleven said they had been asked to do so by an existing volunteer or employee. Only one of the fourteen had replied to a notice searching for new volunteers. Thirteen of the fourteen began as voluntary tellers and ‘worked their way up’ either to the board or onto a committee.

The biggest recruitment problem identified by eight of the interviewees was the lack of young people prepared to get involved in the credit union. This was viewed by some as being a sign of the times. Others expressed the view that young people were turned off from volunteering in the credit union because it was not very attractive and were simply not interested. At present, there is no Youth Development Officer (YDO) in the credit union although it is an issue that has been on the board’s agenda for several months. It appears that no one is willing to volunteer for the position. When the primary research for this case study began, a letter had arrived to the credit union office for the attention of the Youth Development Officer. Three months later, this letter had still not been opened because it was felt that the person who opened the letter would automatically be given the YDO position. However, the credit union is very active in promoting savings to young savers at primary school level although it does not have programmes aimed at students in secondary school or in third level education.

Only one interviewee felt that the credit union was ‘a closed shop’ in that members did not feel it was easy to secure a voluntary position. Three felt that it might *seem* like a closed shop but isn’t, while three were adamant that it is not a closed shop at all. One staff member claimed that CCU *“is not a closed shop but conveys the wrong message unwittingly – people think you have to know someone here to get involved”*. Six were of the view that the members do not understand the voluntary ethos of credit unions at all and did not understand that it was run on a voluntary basis. In fact, one interviewee pointed out that a competition had been held in the

past with the question being to name two directors of the credit union. The majority of members were described as *'being flummoxed'*.

There were also mixed views on whether or not the credit union actively recruits new volunteers. Three felt it did while three felt it did not. It is generally left to the manager to find new volunteers for counter work. This, he felt, was simply *"another chore landed on his desk"* and he admitted that he was not particularly active in this regard. When asked what was looked for in a new recruit there was a general consensus that he or she should have some relevant skills. However, as one interviewee put it:

"skills are not that important. This is a co-operative. We can't be looking for a brain surgeon to go on a committee."

During the period in which the research for this case study was being undertaken, one of the board members resigned to take up a part time employment position within the credit union. It was decided by the board to approach either a member who had been defeated in the previous year's AGM election to ask him if he were willing to be co-opted to the board, or to ask an ex-board member if he would be interested.

6.5.5 Motivations

The motivations of volunteers in CCU were examined. Eighteen interviewees gave opinions on what they felt motivates them in their voluntary work. Six of the eighteen cited more than one form of motivation. Overall, there was a mixture of motivations across all volunteers, although none stated that they volunteered in order to progress their career, which is reasonable given the relatively high average age of the volunteers involved. The most often cited motivation (eleven times) was that of Clary & Snyder's (1999), 'enhancement', whereby volunteering gave people the opportunity to grow and develop psychologically. This was reflected in statements such as

"I enjoy the work, it keeps my brain active. It's an interest."

“I enjoy figures and I enjoy the meetings. It’s interesting. I like seeing it build up.”

“There’s a status element – a self-confidence boost.”

For four of the volunteers, three of whom are board members, and all of whom are women, the motivation for volunteering was guilt. For example:

“I would feel guilty if I didn’t go to the meetings.”

“I’ve made a commitment. It’s something that has to be done.”

For another four of the volunteers, 2 male board members and 2 female tellers, the motivation is social, in that volunteering in the credit union is a way of meeting people and making friends. Three volunteers, all board members, cited the use of their skills as a motivating factor. Only one individual, a female board member, said she was motivated by a desire to give something back to the community. However, when the perceived rewards of volunteering are examined, more of the interviewees mentioned the reward of ‘doing good’ for others.

6.5.6 Rewards for volunteering

Eleven volunteers spoke of their perceived rewards from volunteering. For four of these volunteers, ‘doing good’ for others was the reward they received, although this was not what motivated them. Three volunteers cited the annual dinner dance as their reward. One voluntary teller said

‘The dinner dance is a great night out. We need it.’

For the other four volunteers, the feeling of having achieved something was an important reward.

6.5.7 Annual report

CCU produces an annual report each year to inform the members of its progress. The report is an A5 size and up to 2 years ago, was always printed in black and white. As of the past 2 years, the report has taken on a more glossy appearance and now includes a colour photo of a local attraction on the front cover.

The report starts by listing out the members of the board, the credit committee, the supervisory committee, the membership officer, the employees, the auditor and the solicitor. This is followed by the Chairperson's Report, which gives an overall summary of progress during the past year, stating the main developments. The structure of this report has been quite similar year on year, and mostly refers to financial changes. The Credit Committee Report follows the Chairperson's Report and shows the number, type and amount of loans issued in the past year. It also gives details of the benefits of borrowing from the credit union. This is followed by the Auditor's Report which is identical each year and sets out the opinion of the auditor on the accuracy of the financial accounts. These financial accounts and notes to these accounts are then presented in a traditional accountancy style. The Supervisory Committee Report then follows stating the activities of the supervisors during the year and thanking the board and staff for their co-operation. Depending on the remaining space available, the other committees may or may not have a report contained in the Annual Report. In almost every report, there appears a list of services, financial highlights, office opening hours and the Credit Union Prayer.

The Annual Report is written and compiled almost exclusively by the manager, except for the supervisory committee report which is always provided by the supervisors. The reports are very similar from year to year with little difference in style or contents. The level of information provided appears to have decreased over the last number of years – a report from 10 years ago makes far more interesting and useful reading than a report from the past 2-3 years. Older reports contain graphs of the annual surplus, board attendance records, diagrammatical breakdowns of income and expenditure, and other useful information. The more recent reports have dropped much of this explanatory material and look far more rushed, containing several typographical errors. Furthermore, the annual report has not

requested volunteers since 1999 although it continues to thank existing volunteers for their efforts.

Approximately 1,500 copies of the report are printed annually. These are distributed to the members who attend the AGM while those remaining are placed on the counter for members to take home. The reports are not posted to the members, as is customary in most Irish credit unions. A number of staff members complained that there are too many annual reports in boxes taking up space in the office. Several directors felt that the number printed should be halved, or at least cut.

Board members felt the report was boring but were at a loss as to how to improve it. One commented:

“The report is boring. It needs to be more readable. Information cannot be found easily in the report.”

Only two volunteers felt that the members actually read the report. Most felt that the members are only interested in the return they receive on savings and the loan interest rebate. However, this is quite difficult to find in the report. Those interviewed were very open to some simple suggestions to improve the report, showing that they recognise its potential to communicate with the members but could not think how to get the most from it.

PART B:

ICU – Industrial Credit Union

6.6 Introduction

This part details member participation in an industrial credit union, referred to as ICU from hereon in, where the author has served as a staff member for one year and a volunteer for seven years, including six years as a board member. She currently serves on the board as Secretary, a position she has held for two years.

The aim of the section is to provide observations of and insights into member participation and organisational effectiveness in a credit union from someone who is deeply involved at a number of levels as a member of that credit union for a substantial period of time. This is expected to add to the qualitative exploration of what defines member participation in credit unions and to the examination of organisational effectiveness in Irish credit unions. Because the author is embedded in the organisation being examined, the contents of the chapter were read and reviewed by a volunteer and by a staff member of ICU to check for inaccuracies and for possible biases of the author. Both agreed that the case study was an accurate reflection of the credit union.

6.7 Background to ICU

ICU was established in 1966 to provide financial services to employees of two State companies (herein referred to as Company E and Company P), during a time of industrial unrest. Initially 30 employees, mostly affiliates of the companies' trade union, turned up for a study group meeting. The first general meeting, held in March 1966, elected a board of 15 (2 of whom were, unusually for that time, women), a credit committee and a supervisory committee. Right up until the late 1990s, the credit union relied on the goodwill of the State companies to provide suitable accommodation for its office. This was always provided free of charge. Collection systems were organised at 4 collection points, based in company premises, to facilitate use of the credit union by employees who were members with the minimum of disruption to work routines. The main office and each of the collection points were operated by volunteers with the credit union. The collection system was eventually replaced by a payroll deduction scheme in the late 1980s. This was facilitated by the introduction of a computer system in the 1980s.

Up until 1994, ICU relied entirely on its volunteers and 2 part-time staff members to provide services to the members. Only in 1994 was the first full-time employee taken on, enabling an expansion in services and opening hours. This led to a dramatic growth in membership, which in 2003, stood at 2,500.

6.8 OE in ICU

6.8.1 Services

ICU offers a wide range of services including savings facilities, borrowing facilities, Special Savings and Investment Accounts (SSIAs), foreign exchange and money transfer facilities, death benefit insurance, money management accounts, repayment protection insurance, car insurance, travel insurance, healthcare insurance, house insurance, rail tickets, gift cheques and financial counselling. At the time of writing, ICU is implementing an extremely innovative new software system that will enable it to be one of two credit unions in the country delivering automated services such as direct debits, standing orders and ATMs. In accordance with the 1997 Credit Union Act, negotiations are underway to be permitted to offer these additional services in a self-financing manner. ICU is privileged to have a number of IT experts on its board who have vast experience in IT project development and management. This is expertise that most other credit unions would have to pay for. Participation by these members on the board is proving invaluable to ICU.

ICU offers a range of different types of loans at different interest rates. These include a home improvement loan and a one year loan at reduced rates of interest. The standard interest rate charged by ICU is 8.42% APR (0.75% per month). ICU has reduced its interest rates in line with other credit unions and in response to competition from the conventional banking sector. It also offers a loan interest rebate together with a dividend on savings.

ICU is an effective service provider in that it offers as many, if not more, services than most other credit unions. It is also trying to implement new services that most other credit unions are not in a position to implement.

6.8.2 Staff

The credit union currently has 3 full-time staff, including an office manager, and 5 part-time staff. Female staff members wear uniforms while male staff members wear suits. This helps to portray a professional image to the members. There is very little turnover of staff. The only staff member to have left in the past 5 years did so to become a full-time mother. She has retained her involvement with ICU by joining a committee as a volunteer.

The staff are well-treated by the board and there are good relations between the board and the staff. The Treasurer is viewed in ICU as the managing director of the credit union, although he tends not to interfere with the running of the office, which is left mostly to the manager and staff. An Operations Committee, comprised of all staff members, the Chairperson and the Treasurer meets on a regular basis to enable the staff to air their views about operations in the office to each other and to the board. The staff are strongly encouraged to undertake relevant training and are fully supported in doing so through the payment of course fees and expenses and the allocation of study leave and so on. As will be discussed in a later section, staff receive an additional increment on their salary for completing certain courses. The manager is facilitated in any way possible to attend managers' meetings, marketing meetings, educational courses and so on.

Most staff members also volunteer for committee work or other voluntary work for the credit union for which they do not get paid. For example, the manager is heavily involved in the local Chapter of credit unions in a marketing and promotional capacity and does not receive any extra remuneration. Another two staff members work with the Training and Promotion Committee in ICU which often involves meetings after working hours.

The staff members have opted not to join a trade union as their experience has been that they can negotiate with the board when needs be. However, several board members have trade union backgrounds and have openly encouraged the staff to join.

6.8.3 Growth

ICU has total assets of just over €18 million, total savings of just under €16 million and total lending of almost €10 million. This has grown in the past ten years from assets of approximately €5 million, total savings of €4 million and total lending of €4 million. With 2,500 members, double its membership ten years ago, the credit union is close to full penetration of its common bond, and because of shrinking numbers in employment in one of the companies in its common bond, has identified continued growth to be an issue going forward. The expansion of the common bond to include family members approximately 10 years ago enabled ICU to sustain some of its growth for a few years but the effects of this expansion have long since worn off and ICU is now seeking new ways to expand its common bond. It has already applied to the Registrar of Credit Unions for an extension to the common bond to allow it to serve members in other similar type companies. It is, however, wary of the risk of lending to such members because the industry is quite volatile and employees are extremely mobile between jobs in that industry.

6.8.4 Premises

New, tailor-built premises, with spare capacity were purchased in 1997 and opened for business in 2000. These are the only offices of ICU. They are open 5 days a week for a total of just over 30 hours, including Saturdays to facilitate those members who are unable to call to the office on regular working days. It also opens late on Friday evenings. The credit union office is located in an area that was deliberately chosen as being the most central for the majority of the members. It has an attractive, modern façade and interior design. There are 5 counters at which members can be served, although there are rarely more than 3 being operated because of the relative scarcity of members calling into the office. Security, privacy and most importantly, the safety of the staff, have always been important considerations. The counters are guarded by protective glass. There is a large waiting area where music is played to reduce the possibility of members and staff being overheard at the counter. Access issues were also considered and the entrance doorways are wide enough to allow wheelchairs and push chairs to enter easily. Fireproof doors exist throughout the building and the premises are fitted with an alarm system. The ground floor of the building is dedicated to the members in terms

of office space and interview rooms. The second floor contains a large boardroom, kitchen and offices for accountancy and supervisory work.

There are no parking facilities for the members which has led to problems of members being clamped and towed if parked illegally. Members have complained openly to the credit union about the lack of parking facilities and the board has felt helpless in this regard. It is also a problem experienced by the board members in attending the credit union. The staff members who were employed at the credit union in its previous offices were given limited parking privileges in a nearby multi-storey car park on request to the board. All members can ask for a free pre-paid parking disc to avail of nearby street parking. It might, however, be speculated that if the members had been more involved in choosing the location of the premises, this location might not have been agreed.

6.8.5 Communication

Communication within ICU is reasonably effective. Contact with members is primarily made by post, telephone and email. All members receive a statement of their account every quarter, which includes a newsletter detailing the services on offer and other relevant information. The credit union also has a dedicated website, designed, written and maintained by one of the board members. This has 90 hits per week (almost 5,000 per year) and provides facilities such as email contact to members as well as on-line membership and loan application forms. Informally, the members tend to approach members of the board or other volunteers within the work place with questions, problems and suggestions. This has proved to be a valuable means of securing feedback from the members in an environment that is comfortable to the member.

Communication between the staff and the board takes place primarily through the manager who reports back decisions made at the meeting to the staff. The manager attends all board meetings but is asked to leave during any discussion of staff matters. Any decisions regarding staff are communicated to the staff by the Chairperson. The Chairperson tends to visit the office of the credit union several

times a week. This makes him very much available to the staff and as a result he has built up an excellent rapport with them.

Communication between committees, while it does exist, is not entirely effective. As discussed later, the Credit Committee and the Credit Control Committee have agreed to meet more regularly as the Credit Control Committee feels frustrated in its efforts when it fails to understand why loans have been granted to particular members who have defaulted.

Communication between the board and the Supervisory Committee is second to none. This is aided by the extremely open relationship between both parties. The Supervisory Committee meet with the board four times per year, as per the Standard Rules, and all issues are openly aired.

6.8.6 Training and education

There is a strong ethos of education and training among the volunteers and employees of ICU, with almost all involved having engaged in a number of academic and vocational credit union training courses. A number of in-house training sessions have been run in the past five years, including a full day refresher course for the board and one for the credit committee. Where sufficient numbers do not exist for specialised in-house training, other credit unions are invited to join ICU to share the costs of such training and to learn from each other. Almost all of ICU personnel are computer-literate and have done courses to upgrade their expertise, including the European Computer Driving Licence (ECDL). Several have taken the accountancy and insurance courses run by the Irish League of Credit Unions as well as more specialised training for the committees on which they serve. ICU is always represented at ILCU road shows and Chapter seminars held in the Cork area, such as those on marketing, taxation, legislation and so on. Four of the current volunteers and two of the employees are either holders of or are studying for the Diploma in Credit Union Studies with University College Cork. Two of these have reached degree level. One board member has a postgraduate qualification in credit union studies. There is an added incentive for ICU employees who achieve UCC qualifications by way of a salary increment on attaining the Diploma and a

salary bonus on attaining the Degree. All who achieve UCC credit union qualifications are congratulated in the annual report and at the AGM.

The board is extremely open to anyone who wishes to take credit union related training. Both staff and volunteers are actively encouraged to engage in formal training. The office manager is encouraged and financed to join professional credit union managers' organisations. The Training and Promotion Committee are active in finding relevant courses and bringing them to the attention of the board at the board meeting and to all others through the use of the notice board in the kitchen. It has also carried out a number of training needs analyses to determine the training needs of everyone actively involved with the credit union. Because of the nature of their employment, most volunteers in ICU also receive training in their place of work. This contributes further to the building up of expertise within ICU.

ICU attempts to educate the general members also in the credit union ethos. However, the level of resources devoted to volunteer education is considerably greater than that devoted to general member education. ICU provides every member with a newsletter 2-4 times per year, which is used primarily to promote services but also to call for volunteers and to explain the operations of the credit union. As mentioned earlier, ICU has provided a notice board in the places of employment of its members. It also has a website which sets out the structure and ethos of credit unions and the history of ICU, as well as information on opening hours, staffing and services. Annual reports dating between 1988 and 1990 explained the structure of a credit union and the functions of the board and committees, together with illustrations.

6.8.7 Planning, management and leadership

The board takes responsibility for the strategic direction and management of the credit union. The office manager is responsible for the operational management of the credit union. Planning is an important part of ICU's activities. At least once a year, the credit union runs a day long strategic think-in for all staff and volunteers. This is taken very seriously by all and is always attended by over 90% of all involved. It draws up a strategic plan every 5-7 years, although at times this

strategic plan tends to be ignored. The members are not involved in any way in contributing ideas or suggestions to the strategic plan. The contents of the strategic plan are outlined in brief at the AGM to the members with little feedback sought or expected. The Planning and Development Committee takes responsibility for researching new ideas and bringing them to the board on a monthly basis. It has been a most active committee and has been responsible for identifying members' needs and finding ways of meeting these needs.

At present, leadership is provided by the Chairperson, although he could in no way be described as dominant. He very much adopts a teamwork approach, recognising that there is a lot of credit union experience on the board. He has proved to be an effective leader. A recent anonymous questionnaire to the board as part of a strategic planning process recognised that, as a whole, the staff, supervisors and board are very satisfied with the current leadership in the credit union.

6.8.8 Relationships between personnel

ICU fosters very strong working relationships and friendships among all personnel. Relations between the staff and the board are extremely healthy, as discussed under the 'Staff' section. This is helped, at least in part, by the fact that most board members and staff members are in a similar age bracket. It is also helped by the openness of the board to the staff and vice versa. And while a formal complaints procedure has been drawn up, it has never had to be used. The fact that the staff have not felt the need to join a trade union is probably indicative of the good working relationships in ICU. At board and committee level, there is good camaraderie. Most of the board members know each other from their work environments also. In particular, there is an exceptionally good relationship between the board and the supervisory committee, as mentioned earlier, where the board are very open to all suggestions or issues raised. Any new staff or volunteers who get involved in ICU are openly welcomed by the other personnel and are assisted in any way possible in familiarising themselves with 'the who's who' of ICU. Informal social activities for everyone involved in ICU and their partners are arranged twice per year – an annual barbeque and a Christmas party in the office. Both are always extremely well attended.

6.8.9 Community

ICU has an industrial based common bond which includes the families of its members. This means that it is not based in a community as such, but serves people with the common bond of a particular place of employment. Because it is not based in a community and because it operates a direct payroll deduction service, its public office is not frequented as regularly by its members than would the public office of a community-based credit union. Furthermore, the membership is spread over a wide geographic area. Some members do not need to call to the office to transact business at all. There is often more back-office work to be carried out than front line work. Face to face contact with members is not as frequent in an industrial credit union than one which is community based.

Community for ICU primarily means its community of members and the places where they work. The sense of common bond is quite strong in ICU and observation suggests that the majority of members know each other by their first names. ICU makes efforts to help the members to get to know each other better. One of these is its annual golf outing which brings together the golf societies in the two main companies within the common bond. Another is an annual table quiz, which brings together the members from the two main companies and family members.

A number of years ago, ICU set about finding ways in which it could invest some of its surplus funds in co-operative development. Because ICU is not a community-based credit union in the traditional sense, it had difficulty in identifying suitable co-operatives within its 'community' to support. Instead, the board agreed to seek out ethical investment funds in which it has been investing funds for the past three years. It also makes a point of communicating this fact to the members in its reports and at AGM.

6.8.10 Perceived 'overall performance' of the organisation

Overall, ICU is perceived as being a reasonably well performing organisation. Annual visits by the field officer of the ILCU always uncover issues to be

addressed, mostly minor accounting and operational issues, such as the way minutes are kept, the allocation and spending of budgets for promotional activities, and so on. Officers from the Registrar of Credit Unions also visited recently and raised no particular issues.

A member survey carried out by ICU 3-4 years ago showed that members were very satisfied with the operations of ICU, although they did state that they would like more technology-based services. As discussed earlier (section 6.8.1), this is currently being addressed.

ICU is viewed by other credit unions as a high-performing credit union, at least on some issues. In particular, other credit unions are envious of ICU's record regarding loan repayments. This, of course, is facilitated by the payroll deduction service offered by ICU.

6.8.11 Values and philosophy

ICU believes in the equality of its members and tries to treat all members equally. This is fulfilled through the range of services it offers and the way in which the services are offered. It offers a loan interest rebate as well as a dividend to ensure that both the savers and borrowers with ICU receive a portion of the surplus at the end of each financial year. It always promotes itself as a co-operative to its members and tries to encourage its members to get involved as volunteers in the organisation. It does not, however, make much of an effort to mobilise the members in other ways.

ICU is committed to co-operating with other credit unions where possible. It was one of the first credit unions to join a movement-wide initiative to introduce a central computer system to Irish credit unions. It provides financial support to the Chapter-wide promotions initiative and is currently seeking out like-minded credit unions to co-operate with in terms of introducing new services. ICU delegates always attend the monthly Chapter meetings and the ILCU annual meetings.

And as discussed under the ‘Community’ section, it views itself as having an ethical mandate and sought out an ethical investment package from its investment brokers. This package has since become a standard offer to all credit unions.

6.8.12 Members’ views

As discussed earlier (section 6.8.5), ICU tries to communicate with the members and to ascertain their views. It does this through informal contact and through member surveys. ICU could clearly do more to stay in touch with its members’ views.

From the information that ICU has collected, members appear to be quite satisfied overall with the credit union but see scope for further development of services.

6.8.13 Humanity of credit union

Being an industrial credit union, ICU does not have opportunities to help out members experiencing financial difficulties to the same extent as other credit unions. However, since it expanded its common bond to include family members, it has had some more opportunities to work with members in difficulty. It has worked with MABS when necessary and offers financial counselling as one of its services to members.

ICU supports the spread of the credit union movement through its financial support to the ILCU Development Foundation and provides funding to charitable organisations through sponsorship and donations.

6.8.14 Image

ICU is greatly respected by its members and by its fellow credit unions. It has an image of being a professionally-run organisation but one that is both open and answerable to its members. The level of expertise on the board, as will be discussed later, does not go unnoticed by other credit unions.

ICU regularly receives visits from credit union practitioners in Ireland and other countries interested in seeing how it operates and what it does. It also receives

regular requests to be the subject of credit union research, to which it is always agreeable.

6.8.15 Financial (CAMEL)

In the most recent figures made available by the Irish League of Credit Unions, ICU scored 73 out of a possible 100 (see Table 3.5 for an explanation). This is slightly less than the average score of 75 out of 100 across the Chapter. ICU is ranked 13th within its credit union Chapter.

6.9 Member participation in ICU

6.9.1 Membership

Total membership stands at 2,500, 39% (961) of whom are female and 61% (1,539) of whom are male. Table 6.3 gives a breakdown of the membership by age.

TABLE 6.3

Age breakdown of ICU membership

Age category	No. of members	% of total
0-16 years	157	6.28
16-24 years	154	6.16
25-34 years	350	14
35-44 years	601	24.04
45-54 years	635	25.4
55-64 years	391	15.64
65-74 years	165	6.6
75+ years	47	1.88
Total	2500	100

The membership profile is reasonably young and well spread across the spectrum of ages. 25-54 year olds account for 63% of the membership, over 80% of all loans and 55% of shares. These same members are net borrowers with an average of €10,000 on loan from the credit union and an average savings of just over €5,100 each. Over 55s account for 24% of the membership, almost 40% of shares and 10%

of total loans. They are net savers, with almost €10,000 in shares on average each and less than €3,000 in average borrowings.

Just over 12% of members are aged less than 24 years, most likely reflecting the age spread of an industrial common bond. Only 42% of members are borrowing members: 34% of all female members borrow while 48% of all male members borrow.

Table 6.4 presents a breakdown of the membership in terms of their common bond qualification, that is, whether they are retired, work for one of the two State companies or are family members. The table reveals that Company P provides by far the greatest number of members, followed by Company E and family members. 11% of members are retired from the State companies.

TABLE 6.4
Breakdown of common bond

Common bond held	No. of members	% of total membership
Company P	881	35%
Company E	682	27%
Family members	658	26%
Retired members	279	11%

It is not clear what the precise socio-economic breakdown of the membership is. However, it is reasonable to assume that the majority of members are skilled given their employment. It is unlikely that there are many members who would be considered to be working class.

6.9.2 Opportunities for voluntary member participation

There are a number of opportunities for members to become volunteers within ICU: at board level, committee level, as tellers, and as back office staff. There are also a number of social gatherings organised for members each year. There is a band of 23

volunteers (6 females and 17 males) who give of their services in various capacities: on the board and committees, in an advisory capacity, or in carrying out back office tasks. At present, there are no tellers, although the credit union is open to the idea of having voluntary tellers. There are also credit union volunteers within the various offices of employment of the members who agree to place information about the credit union on the office notice board. The credit union has already provided credit union notice boards to each office free of charge. Feedback from members is also welcomed formally at the AGM and through a feedback form on the website. The members have also been surveyed twice in the past three years for their opinions on the services offered by the credit union. Informally, members can give feedback to the staff at the counter or to credit union volunteers with whom they are employed. In fact, informal and relaxed feedback during coffee breaks in the workplace has been invaluable in procuring forthright opinions from members and in discovering the members' perceptions of the credit union's services and operations. A newsletter is sent to each member 2-4 times per year.

6.9.2.1 Board of directors

There are 13 members on the board of directors: 3 (23%) female and 10 (77%) male, giving an over-representation of males on the board, a finding common to Irish credit unions generally (McKillop et al, 2002). The average age of the board members is 48, with the youngest being 30 and the oldest being 73 years. Five board members are in their 30s, giving an unusually young board. The board is extremely unbalanced in terms of its representation of the common bond in that 31% (4) of the board is retired (as against 11% of members), 23% (3) of the board work for State company P (as against 35% of the members), 38% (5) of the board work or worked for State company E (as against 27% of the members) and one is a family member (8%) as against 26% of members). Therefore the extent to which the board represents the needs of the membership in decision-making is easily questioned, although it can be said that there is representation of all segments of the common bond. The board has recognised the need for greater balance on the board in terms of the common bond. In so doing, it has directed the Nominating Committee on several occasions to seek out representatives from State company P and family members, in particular, who would be willing to volunteer for positions

on committees and the board. There has been limited success in attracting such members. The board has not instructed the Nominating Committee to seek a greater gender balance, nor has it given instructions to seek out an age balance. The board considers itself 'lucky' to have attracted a relatively large pool of 'younger' and 'talented' members.

A little under half of the board have attained third level education while the remainder have attained second level education. The nine board members who are not retired, are all in full-time employment, three with Company P, four with Company E, and the remaining two in teaching positions. Two board members are manual workers while the remainder are skilled or semi-skilled. There is a particular mix of expertise on the board which includes IT skills, project management skills, sales skills, leadership and supervisory skills, training skills and research skills.

Board meetings are held once per month according to a schedule that is drawn up at the commencement of each new year. The agenda for the meeting, together with the minutes of the previous meeting and reports from most committees are posted to all board members and supervisors the weekend before the meeting.

Reaching a quorum for every meeting is always a worry for ICU. Because of the nature of their employment, night shifts are a regular occurrence for at least three board members. Despite these difficulties, there has only been one occasion in the experience of the author where a meeting had to be cancelled due to the lack of a quorum. An analysis of board attendance from September 2003 to June 2004 reveals an average attendance of 9.08 board members per meeting from a total possible of 13.

Board meetings normally take 2½ hours, and sometimes longer depending on the issues that need to be discussed. The manager is permitted to attend the meetings but does not have voting power. His attendance ensures that decisions affecting the staff and front office are communicated back to other staff members the next day. The manager is asked to leave the meetings when decisions relating to his position

are being discussed and taken. This enables the board members to express their opinions more freely in his absence.

The positions of chairperson and treasurer are held by men in ICU while the positions of vice chairperson and secretary are held by women. The positions of assistant secretary and assistant treasurer are both held by men. It is interesting to note that officerships have been predominantly held by men in ICU. Between 1980 and 2001, no women held any officership, despite there being 3-4 women on the board each year for most of this time. As early as the third year of the credit union's existence the Vice-President of ICU was female. Later in the 1970s, women held assistant officerships for two years, although these positions never materialised into full officerships for these women. There has never been a female chairperson or treasurer in ICU. It seems that 2001 was a turning point for women on the board in that 2 of 3 women were appointed as officers.

TABLE 6.5

Length of service on the board

Years on board	Number involved	Gender
0-10 years	8	6 male, 2 female
11-20 years	1	1 male
21-30 years	2	1 male 1 female
31-40 years	2	2 male

As seen in Table 6.5, there has been regular turnover in the board membership. Almost two thirds of the board has changed over the past 10 years. Five board members have come onto the board in the past 5 years, indicating that the board has not had much difficulty in recruiting new board members. Newer board members have benefited from the experience of 5 board members who have been on the board for between 11 and 40 years. All new board members go through an induction course whereby the chairperson explains the workings of the credit union and credit union meetings. At the board meeting, new board members are given

explanations throughout the course of the meeting for the duration of their first meeting. After the first meeting, it is often forgotten that new board members are still unfamiliar with much of what is discussed and they can sometimes be 'left behind'. In the experience of the author, some new board members are confident enough to ask questions while others are not. Only one of those who was not confident in asking questions left the board after approximately 6 months' service. The other disadvantage to having less-experienced board members has manifested itself in the committee work, where a number of committees comprised of newer board members and volunteers and find it difficult at times to fulfil their responsibilities.

The chairperson of ICU is very knowledgeable and is clearly very well-prepared for all meetings. He has been involved with the credit union for approximately 5 years with no prior credit union background. He has had the benefit of the experience of some of the 'older heads' on the board who have coached him to deal effectively with meetings. He has much experience in trade unions and has been actively involved in trade union meetings. This has given him confidence in running effective credit union meetings. He is patient and allows all board members who wish to present their opinions on an issue with the chance to be heard. At times he is inclined to allow some board members to tell anecdotes relating to members with whom they have worked in the past. This can be irritating to those members who are not familiar with the members in question and who wish to proceed with the business of the meeting. Occasionally, when an issue is raised that does not interest the chairperson or on which he has little knowledge, he can be dismissive, lending more weight to issues with which he is more familiar. He has particular strengths in the IT area and relatively vast amounts of time are spent at board meetings discussing credit union computer software systems in depth, discussions which are probably only fully understood by the chairperson and one or two other board members. All other board members are largely passive during these discussions.

In the experience of the author, most board decisions are taken by consensus, with opposition or abstinence being extremely rare. In the past 2 years, there have been

two incidences of opposition after detailed discussion: one related to staff issues while the other related to an IT issue.

Four board members, including the chairperson, are particularly vocal at meetings. The others will ask questions from time to time and offer opinions. It would be unfair to say that board decisions are a ‘fait accompli’ and are simply rubber stamped, given that opposition can arise from time to time. Every report is open to questioning and discussion. The fact that a number of board members have worked together in their place of employment contributes to the open nature of discussion at board level and a strong degree of camaraderie between board members. The author is not aware of any grudges held by any board member against another or any deliberate disagreements or bad feeling.

6.9.2.2 Committees

There is a wide variety of committees in ICU, both statutory and non-statutory. The statutory committees are the Supervisory Committee, Credit Committee, Credit Control Committee, Nominating Committee and Membership Committee. There is also a Planning and Development Committee, an Operations Committee and a Training and Promotion Committee. Special committees are also formed from time to time, such as the Technology Committee and the Building Committee. All officerships are filled by board members or staff members, including Youth Development Officer, Money Laundering Reporting Officer, Training Liaison Officer, Insurance Officer, Membership Officer and Health and Safety Officer.

6.9.2.2.1 Credit Committee

The Credit Committee in ICU has three male members, one of whom is a board member as required by the Standard Rules (Rule 94). The average age is 50, marginally older than the average age of the board and quite unrepresentative of the age groups of the general membership. All three members of the Credit Committee are working for or have worked for State Company P. This is an acknowledged difficulty for the committee in that they are not familiar with members from Company E in particular, which can lead to difficulty in assessing loan applications. A very strong credit committee had existed for a long number of years with

experienced leadership from one individual in particular. This individual was forced to retire from the committee due to a temporary change in employment circumstances but agreed to resume his duties on the committee at a later date. He remained available for consultation until his sudden death only a few months later.

The remaining (and new) members of the Credit Committee are quite inexperienced in their work in general and openly admit this at board meetings where they regularly seek assistance. After considerable teething problems, followed by a number of training courses, the committee is now beginning to find its feet after almost one year in operation.

Because of the problems experienced by the 'new' Credit Committee, links between the Credit Committee and the Credit Control Committee have strengthened considerably with both committees recognising an urgent need for greater co-operation and communication. They have agreed to meet 3-4 times per year to flag difficult members and to share experiences.

The Credit Committee has also agreed to work more closely with the Training and Promotion Committee in promoting loans to members. It is worried about the sharp decline (60%) in the numbers of loans being issued over the past three years despite an increase in the size of individual loans (from €2,545 in 2000 to €3,276 in 2002) as well as the decline in the total amount out being lent per annum.

6.9.2.2.2 Credit Control Committee

There are three members (two male and one female) on the Credit Control Committee, two of whom are board members. The average age of the committee members is 50, again not much different from that of the board. The committee is also assisted by a Credit Control Officer who pursues defaulters on a daily or weekly basis on behalf of the committee and checks the credit background of some members.

The committee meets once a month and examines defaulted accounts, deciding on an appropriate strategy to pursue these members. The level of default in an

industrial credit union is normally considerably lower than in community based credit unions because of payroll deduction facilities. ICU is no exception and prides itself on its low levels of default. In 2002, no debts had to be written off. In the two years prior to that the level of bad debts written off stood at 0.2% of total loans. ICU recognises that with increasing numbers of family members who are not able to avail of payroll deduction facilities, bad debts written off are likely to increase in the future.

The members of the Credit Control Committee are relatively inexperienced in dealing with credit control issues. They are heavily dependent on the Credit Control Officer for guidance and to carry out the main duties associated with credit control. None of the members of the committee have had specific training in credit control. The board is quite complacent about the low level of experience and activity on the committee because of the extremely low level of write-offs, compared to other credit unions.

6.9.2.2.3 Supervisory Committee

There are 3 members of the Supervisory Committee in ICU, 2 males and 1 female. Their average age is 53. Of the three members, one is an employee of State Company E, the second is a past employee of both State Company E and P, and the third is a family member. The committee also employs an assistant on a part-time basis. It is responsible for monitoring the records and operations of ICU.

The supervisory committee has a very strong working relationship with the board of ICU. The committee reports to the board each month, highlighting work practices that were checked and pointing out any discrepancies. Any issues raised are always resolved immediately or by the next board meeting. One supervisor, on a rotating basis, attends every board meeting and often contributes to discussion.

6.9.2.2.4 Other committees and volunteers

There are several other committees in ICU: the Planning and Development Committee, which is charged with researching strategic issues for the board and consists of 4 board members, 1 staff member and 1 other volunteer; the Operations

Committee, which acts as a means by which staff can discuss operational issues and communicate with the board; the Technology Committee, which works with the software provider to develop an appropriate package for ICU and consists of two board members, the manager, and a volunteer member with particular expertise in this area. The Nominating Committee consists of three board members and finds members willing to serve in a voluntary capacity. It is not particularly active and tends to meet once or twice before the AGM to find suitable candidates for any vacancies arising. If vacancies arise during the year they are generally discussed at board level and a member of the Nominating Committee takes responsibility to approach potential candidates. The activity of the Nominating Committee could best be described as haphazard.

The Training and Promotion committee is charged with promoting the credit union to the members and with finding suitable training for credit union personnel. Training is detailed in a later section. In terms of promotion, the committee decides on sponsorship to relevant organisations, particularly those which have a link ICU through the members, such as various sporting and charitable organisations. It also takes responsibility for organising an annual table quiz free of charge for the membership, the winners of which represent the credit union at a regional level during credit union week. This is attended by about 60 members and attracts a good mix of the membership. A selection of members over the age of 60 are invited annually to an over 60s night organised by the local Chapter of credit unions. A golf outing is also arranged each year with special prizes, including a perpetual cup. This attracts 75 members, primarily male members between the ages of 35 and 55 and who are employed or retired from the two State companies, rather than family members. The board is conscious that the golf outing does not attract a broad representation of the membership. However, attendees at the golf outing have commented on how they were happy to meet other members of the credit union as a result of the outing, an opportunity which they did not have before. The table quiz and golf outing are useful forms of social participation by members of ICU. The Training and Promotion Committee members find it difficult to co-ordinate their schedules to meet. As a result, it often conducts 'telephone meetings' by way of a conference call to accommodate all members of the committee.

Other forms of volunteerism also exist in ICU. For many years a large cohort of up to 30 ‘collectors’ volunteered in the various workplaces of the members to collect their savings and lodge them with the credit union. As a result of increasing membership and the resulting need for greater security, this practice ceased. Members of the credit union still volunteer to promote the credit union in the workplace however. For example, in Company P, the human resources officer encourages all new employees to join ICU and provides them with relevant information packs.

6.9.3 Youth Development

Although the overall percentage of youth members in ICU is quite small, the board has appointed a Youth Development Officer from among its staff and allocated a specific budget for youth activities. The YDO in ICU meets regularly with the YDOs from other credit unions from within the Chapter to exchange ideas and to provide mutual support for youth activities. The YDO in ICU reports to the Training and Promotion Committee each month.

There are no schools, per se, within the common bond of ICU, as it is not a community-based credit union. As most of the other YDOs in the Chapter are based in communities, they often use the local schools as a vehicle to promote the credit union to young people, particularly through school credit unions. The YDO of ICU is often at a loss as to how to promote the credit union to its younger members. Each year ICU offers free ‘back to school’ gifts to its members under the age of ten. This has proved popular with these members. In order to reach the members aged between 10 and 16, the YDO has recently decided to send birthday cards and gift tokens to these members each year. In 2000, ICU provided 2 scholarships to students who were commencing third level education on a full-time basis. This was, however, targeted at the entire membership. ICU does not attempt to involve its younger members in voluntary activity in the credit union, nor does it have a Youth Committee or has it ever attempted to establish one. The board of ICU is hoping that when the new software system is in place, it will attract more young members through its more innovative services. There are no plans in place as to how this

might be done. ICU does little in the way of educating its younger members specifically on the credit union difference or in attempting to segment the membership for the purposes of promoting services. Because there is a relatively balanced set of volunteers from an age point of view, there is little sense of urgency within ICU to get more young people involved.

6.9.4 Annual General Meeting

The Annual General Meeting of the credit union gives the general membership the opportunity to partake in decision-making within the co-operative and also to engage in social participation in the credit union as detailed by Birchall (1999; 2001). Current attendance averages at approximately 60-80 members per year, including approximately 20 volunteers and 5 staff members. The board is disappointed at the low level of attendance each year despite various incentives offered and has made a concerted effort in the past 2-3 years to improve 'the experience' of the AGM for the members. The venue for the meeting was changed from a small upstairs room in a social club to a spacious and accessible room in a city centre hotel with ample parking. The use of a microphone and Microsoft 'Powerpoint' presentations were also introduced. The result has been an increase of about 20 members in attendance. The board is at a loss as to how to increase attendance any further. An ex-board member wrote an indepth project about ICU in 1997. This board member had been involved with ICU for over 20 years before his untimely death in 2001. He commented as follows:

"The question of small attendances at AGMs is a problem that exists practically since the foundation of [ICU]. Strangely, from a membership of between 200 and 300 in the late 1960s to the present membership of 1,500, attendance at AGMs has averaged out at between 30 to 40 annually. This low turnout is despite many inducements offered to encourage attendance. Draws, lucky dips, teas, coffee, biscuits, sandwiches and even the offer of a free tippie at the bar have failed to encourage members to come out in greater numbers. The attendance sheets at AGMs practically write themselves as the same members show enough interest to attend year after year. This unwelcome situation creates problems as well when it comes to

filling vacancies on the board and committees. Despite the best efforts of nominating committees down through the years, the filling of vacancies has continued to be a problem. This creates an unhealthy situation as the recycling of the same group of members over a number of years to fill positions could lead to a loss of commitment and enthusiasm. It could also lead to a 'them and us' scenario, where many members would see the running of the credit union as the preserve of a few.'

Since he made these comments, attendance has clearly increased. So too has the membership, however.

The levels of discussion and questioning at ICU AGMs are quite poor. One board member relates an example:

"At one AGM, we were writing off a substantial sum of money we had invested in a new IT system that had failed. I was nervous as the treasurer explained the financial statements to the members as I was expecting disorder at the meeting when the members learned of the write-off. When the treasurer finished explaining the accounts, I held my breath as we waited for questions. The hand of one member went up. In looking at the accounts, he wanted to know would we be running the golf outing again in the coming year. This was the only question we got on the accounts. I was relieved, but disappointed that the members were not more ready to question the actions of the board. I don't think that the laissez-faire attitude of the members makes the board any less diligent though."

Members are encouraged at every stage of the meeting to ask questions or to make comments. Members who do question the board are given as clear an explanation as possible and if they are experiencing difficulties, promised a speedy resolution. Usually only about 4-6 members make any comments of any sort.

6.9.5 Annual Report

An annual report has been compiled by ICU every year since its foundation to inform the members of its activities throughout the year, particularly its financial activities. This has taken various forms over the years and has gradually become more glossy and more colourful. It changes in format and size every few years. The report is normally compiled by the manager of ICU, while the contents are written by each of the various committees and the chairperson of the board. The manager works closely with a designer on the layout of the report and includes a number of photographs of various activities throughout the year. It also lists the board members, supervisory committee, and other volunteers as well the staff, solicitor and auditor.

Five hundred copies of the report are produced each year for distribution to the members via the AGM and the credit union office and via the various company offices. Each new member is also given a copy of the most recent annual report on joining.

From time to time in the reports mention is made of ‘credit union ethos’, ‘credit union principles’, ‘philosophy’, and similar terms. However, these terms are not explained in any way. An interesting initiative in previous years was the explanation of the functions of each committee according to the Standard Rules. This was discontinued after 2-3 years.

Few, if any, mentions are made in the annual report of voluntary activity in ICU, nor has the annual report been used to recruit volunteers. All volunteers are named in the report each year.

6.9.6 Volunteer recruitment

Volunteer recruitment in ICU could best be described as haphazard. The Nominating Committee, charged with recruiting new volunteers is usually only active in the run up to the AGM or if a vacancy arises at other times in the year. An ex-board member stated:

“The propagation of the co-operative ethos in [ICU] would, one imagines, be part of the ongoing development of the credit union. Given that the original common bond was confined solely to people who had strong trade union connections and that [ICU] itself had its origins in industrial conflict, direct involvement by members down the years has been disappointing. A number of open days organised on a yearly basis to encourage voluntary involvement have had only limited success. These seminars took the form of a day long meeting in a hotel where every aspect of [ICU] was up for discussion. Officers, committee members and volunteers outlined their involvement in the credit union, how it came about and what they had gained by being directly involved. These gatherings were very informal with small groups discussing a host of topics. The day usually finished with a dinner and social. While the desirability of holding such gatherings was obvious and a lot of fresh ideas usually emerged, the net gain of fresh volunteers was never more than one or two at any time. Members appear to be quite happy to let the same small pool of people look after their interests in the running of [ICU]. This is, I suppose, understandable when they continue to receive dividends and interest rebates....”

The credit union has clearly made several attempts in the past to recruit volunteers. In the time since the above comments were made, a plea was made in the newsletter for new volunteers which has been quite successful and has enlarged the ‘small pool of people’. To the surprise of the board, six members came forward. Each member was invited to an open night to explain how ICU operates, which was attended by nearly all of the existing volunteers. Some of the members had specific areas in which they wanted to work. Follow-up after the open night was viewed as extremely important. Of the six, three agreed to become volunteers. Two later went on to the board (although one since left due to lack of time) and one became involved on the Supervisory Committee. The success of asking members personally to become involved has always been important for ICU. For example, of the six who joined the board in the past 5 years, 5 were asked personally by fellow employees to become involved.

There are rarely more candidates put forward for AGM elections than there are vacancies. Once enough candidates are secured to fill the vacancies arising, there is a tendency not to look for any more. In the experience of the author, there has only been one occasion in which there were more candidates than vacancies. One board member has expressed the view that competition for vacancies makes him uncomfortable as this inevitably leaves some candidates disappointed and embarrassed if they lose.

Surprisingly, the annual report has never been used to recruit new volunteers. Volunteer activity is primarily acknowledged in the report only on retirement of a volunteer. In previous years, when there was a large number of voluntary 'collectors' in the credit union, these were named in the annual report.

6.10 Conclusions

Part A and Part B of this chapter have presented detailed case studies of member participation and organisational effectiveness in two credit unions at different levels of effectiveness according to the OE criteria drawn up. The case studies are important components of this research because firstly, they allow a qualitative examination of OE in two Irish credit unions on the same criteria drawn up for the quantitative examination. Quantitatively, these credit unions had ranked themselves differently, where CCU had ranked itself higher than ICU. The qualitative examination, however, clearly shows that ICU is somewhat more effective than CCU on a number of criteria, indicating perhaps that the credit unions studied are not fully attuned to their own OE on these criteria. Secondly, the case studies allow an examination of member participation in two different credit unions with different levels of effectiveness, as well as assisting in identifying aspects of member participation that might be indicative of member participation in credit unions in general (the latter being discussed and used more fully throughout Chapters Seven and Eight). This examination has shown few differences between CCU and ICU in terms of participation but it could be said that ICU is slightly more participative than CCU. Neither of the two credit unions, however, involve their members much beyond the range of volunteer activities at board and committee level. Thirdly, the

case studies allow some initial conclusions on the relationship between OE and member participation to be drawn. It can be said that because ICU shows more signs of effectiveness than CCU, and because ICU is somewhat more participative than CCU, then there is, perhaps a positive relationship between OE and member participation, thus showing some support for the hypothesis of the research. A far more detailed discussion and analysis of these issues is contained in Chapter Nine. The findings of the case studies are also used in Chapter Nine to compare and contrast practices in a highly participative, highly effective, theoretical credit union with those in the two case studied credit unions. This enables some conclusions to be drawn in relation to how Irish credit unions might become more effective and more participative.

Chapter Seven

The theoretical¹⁹ credit union: OE and member participation

7.1 Introduction

Chapter Six has conducted a qualitative analysis of both member participation and OE in 2 case studied credit unions. This Chapter seeks to examine *theoretically* what member participation and OE might be like in a credit union that is highly effective and which fully engages the members in participation. It draws on innovative practice in credit unions (and other forms of co-operative), as well as on the co-operative literature. It also draws on previous research carried out by the author over the past 5-10 years into Irish credit unions that engage in innovative practice. This work is referenced as much as possible throughout this chapter.

The theoretical credit union will assist in identifying what gaps exist between the credit unions that were case studied and a highly effective and participative credit union. It will also assist in a theoretical examination of the relationship between OE and member participation in the theoretical credit union.

The theoretical credit union is referred to as ‘TCU’ and is assumed to be a highly effective and highly participative credit union. TCU is not a typical credit union, although many credit unions will reflect some, but by no means all, of the practices in TCU.

¹⁹ The use of the term ‘theoretical’ refers to a theory of practice which is based on good practice in credit unions and other forms of co-operative, both in Ireland and internationally. Good practice is defined as practice that is needs driven, responsive to members’ views, and feasible in co-operatives.

It is assumed that TCU is an average sized Irish credit union, with 7,000-10,000 members.

7.2 OE in TCU

Chapter Five showed the 15 OE criteria which were drawn up for use in this research. These were as follows:

- Services
- Staff
- Growth
- Premises
- Communication
- Training and education
- Planning, management and leadership
- Relationships between personnel
- Community
- Perceived 'overall performance' of the organisation
- Values and philosophy
- Members' views
- Humanity of credit union
- Image
- Financial (CAMEL)

TCU will be examined in terms of each of these criteria.

7.2.1 Services

TCU offers only those services that its members say they want and that are within the power of credit unions to offer. These include savings and lending services, life savings and loan protection insurance, repayment protection insurance, financial counselling, budgeting accounts, bill paying, new born accounts, gift cheques, foreign exchange facilities, train tickets, life assurance, and business venture loans. It had offered a number of other insurance products, including house insurance and

car insurance but it became apparent that these services could be accessed more cheaply elsewhere and so ceased to provide them. One of the most valued services is viewed by the members as the ‘personal touch’ they receive at the credit union. All members are known by name and feel comfortable approaching the staff²⁰.

The credit union is unable to provide any EFT (electronic funds transfer) based services, such as credit cards, laser cards, or ATM services. Through member consultation and forums, TCU knows that these services are in high demand and are the main reason why members choose to use conventional banks as well as the credit union for financial services. TCU is actively working with a number of other credit unions in trying to find an IT solution that will suit the needs of credit unions and their members²¹. In the meantime, it has introduced a facility whereby members can access their accounts on-line and view a current statement²². It is also in the final stages of developing a telephone banking system, in direct response to a recent survey of its more elderly members, who sometimes find it more difficult to travel to the credit union office²³.

TCU constantly strives to improve the level of service it provides to the members. It recently received a quality mark for the service it provides, one of only a few credit unions to have achieved this distinction²⁴. It actively involves members in identifying their needs as members. More recent innovations, the results of ideas put forward by members at the member forums, included the introduction of savings stamps from a dispensing machine²⁵ and the introduction of a ‘Quicklodge’ service, whereby members in a hurry could post their deposit in a box in the office to save them queuing²⁶.

²⁰ See for example, Bowen M., M. O Fathaigh & M. Ward, *Credit Union Services: Opinions, Challenges and Opportunities*, Centre for Co-operative Studies, UCC, 1999, p.8-12

²¹ There are currently 2-3 initiatives throughout Ireland where small groups of credit unions are working towards what they call ‘an IT solution’.

²² For example, operated by Dundrum Credit Union Ltd., Co. Dublin.

²³ Already in operation in a number of credit unions.

²⁴ Examples of Irish credit unions to have achieved a quality mark include Thurles Credit Union, Co. Tipperary, and Bishopstown Credit Union, Cork City.

²⁵ This was implemented in response to member demand in Bandon Credit Union Ltd., Co. Cork.

The continuing involvement of members in bringing forward ideas is seen as crucial to providing a quality service to the members of TCU²⁷.

7.2.2 Staff

TCU has a manager and assistant manager, as well as 6 full-time and 4 part-time tellers. There are also 2 senior staff who work behind the scenes. These are the Finance Officer and the Credit Control Officer. The staff in TCU are friendly and courteous towards all members and towards each other. All new staff members undergo an induction programme to familiarise them with services, procedures, other staff and volunteers, as well as with what it means to work in a credit union²⁸. Therefore the staff know from early on that they are part of a co-operative type organisation where the members are the main priority. All staff receive a remuneration package which is slightly better than the industry norm. This rewards good service to members and loyalty to the organisation.

There is a structured, though not rigid, training programme for all staff in TCU, including the manager. All staff work with the training liaison officer to devise a suitable training programme based on their prior training and skills²⁹. There is an additional incentive of extra increments on completion of certain courses³⁰. The teller staff work with the manager in devising a career path within the credit union and each staff member knows what must be achieved in order to progress to a higher level within the credit union³¹.

²⁶ Again, this was implemented in response to member demand in Bandon Credit Union Ltd., Co. Cork.

²⁷ As seen in section 4.5.1, this is central to Oxford, Swindon and Gloucester Co-op

²⁸ The importance of a well-informed staff was a key research finding in McCarthy O., M. O Fathaigh & M. Ward, *Credit Union Communications*, Centre for Co-operative Studies, UCC, 2001 (discussed in Chapter 5 of that study, pp. 29-44). The importance of induction programmes for staff was highlighted in research undertaken by Byrne N., O. McCarthy & M. Ward, *Training and Education in Irish Credit Unions*, Centre for Co-operative Studies, UCC, 2002, p.80.

²⁹ These issues are discussed in Byrne N., O. McCarthy & M. Ward, *Training and Education in Irish Credit Unions*, Centre for Co-operative Studies, UCC, p.80

³⁰ Seen earlier in ICU (section 6.8.6)

³¹ Career development in credit unions as a motivating factor in staff training was raised in research by Byrne N., O. McCarthy & M. Ward, *Training and Education in Irish Credit Unions*, Centre for Co-operative Studies, UCC, p.45

There is also a family-friendly policy which enables staff to job-share if they have family commitments such as childcare and eldercare³².

As a result of these kinds of opportunities, all staff members are highly motivated. Most staff volunteer for committee work and see this as valuable experience and a way of giving something back to the credit union and the members.

Staff rights are protected through trade union membership, which is encouraged at TCU³³. However, strong attempts are made to resolve any disputes or difficulties which arise among staff or between staff and the board, in-house, as much as possible, before resorting to unions. An Operations Committee³⁴ is in place comprising all staff, including the manager, and two board members. This meets on a monthly basis, a few days in advance of the monthly board meeting, and allows all present to raise relevant issues. When necessary, various issues can then be brought to the board meeting. There is also a Staff Committee where all staff meet on a weekly basis to discuss daily operational issues and to learn new procedures and so on³⁵.

The manager has responsibility for running the credit union office on a daily basis and is responsible for reporting any decisions made at board meetings to the other staff. The manager (or assistant manager) attends all board meetings and is welcome to join in all discussion. The manager is also facilitated in being a member of the Credit Union Manager's Association (CUMA).

7.2.3 Growth

Growth in TCU has been steady since its foundation. It now has close to a full penetration of its common bond but continually seeks to encourage new members of the community to join. Two new housing estates were recently erected in the community and as soon as they were complete, a team of credit union volunteers

³² These kinds of issues are discussed by Brown L. Social Auditing for Credit Unions, a paper presented to the Diploma in Credit Union Studies Summer School, June 2000

³³ Trade union membership is commonplace in many co-operatives.

³⁴ This practice is carried out in a number of Irish credit unions, including ICU (see section 6.8.2)

called door-to-door with information about the credit union for those who were new to the area. There is also a 'New Born Accounts' scheme in TCU where the parents of new babies in the area are encouraged to open an account for their baby in the credit union with the incentive of lodging €20 in the baby's name³⁶.

The asset size of TCU has grown in line with the increases in savings and loans. While many credit unions are under-lent, TCU has been able to maintain a high level of loans to savings at all times³⁷. While the industry standards state that credit unions should aim to have at least 70-80% of their savings out on loan most Irish credit unions reach about 50% or lower. For TCU, this is closer to 95%. And although savings growth continues, loan growth keeps pace. Savings growth is attributed to the strong encouragement by TCU to its members to establish and maintain a regular pattern of saving³⁸. TCU is seen by the members as a safe and convenient place to save³⁹. Loan growth is attributed to the fact that TCU, through its regular consultation with members, knows what its members' lending requirements are and offers a simple product at affordable rates of interest⁴⁰. Because TCU tries genuinely to consult with its members on the services it is offering or wishes to offer and designs these services around the needs of the members, the members are loyal to TCU and tend to turn to TCU for a loan before any other financial institution.

7.2.4 Premises

TCU erected custom-built offices in the past 5-10 years. As the credit union continued to grow, the demand on office space became bigger. Furthermore, the space within which members conducted their business was not sufficiently private

³⁵ A practice carried out in a credit union where the author was a part-time employee for a number of months.

³⁶ A common service in most credit unions.

³⁷ This was seen in CCU (section 6.4.3)

³⁸ A research-based recommendation of Byrne N., O. McCarthy & M. Ward in *Meeting the Credit Needs of Low Income Groups: Credit Unions Versus Moneylenders*, Combat Poverty Agency Working Paper Series, forthcoming 2005

³⁹ Byrne N., O. McCarthy & M. Ward in *Meeting the Credit Needs of Low Income Groups: Credit Unions Versus Moneylenders*, Combat Poverty Agency Working Paper Series, forthcoming 2005, found that members view credit unions as safe places to save.

that members' transaction could not be overheard. The board took a decision in principle to build new premises with agreement that the members would be consulted on the design, layout, location and cost of any such premises⁴¹. Members were invited to attend an informal evening with the board and staff and the credit union architect and engineer to discuss possible ideas for the new premises and to say what they liked most and least about the existing premises. Concerns were expressed by members about privacy, parking and accessibility for push chairs, wheel chairs and so on. Staff were also concerned about safe parking, canteen facilities, and individual offices where needed. One member, a town councillor, expressed the view that the building should fit in with the overall aesthetic look of the area. It was agreed to draw up plans and to revert back to the members at another meeting within 3 months. This was fulfilled and the outline of new premises agreed.

Within 2 years, TCU had a large new premises located very centrally, on the south-side of the community which had the seal of approval of the staff, the members and the volunteers. It had a design sympathetic to the local environment, and had used some recycled materials. It maintained adequate parking for members and staff and offered easy access facilities for all members. The counter area was kept spacious and a children's play area placed to one side to entertain younger family members. In response to safety and confidentiality concerns, counters were kept well-spaced and sealed off as much as possible from the public area⁴².

The branch office in the shopping centre was to remain as agreed⁴³.

⁴⁰ This was a finding in Byrne N., O. McCarthy & M. Ward in *Meeting the Credit Needs of Low Income Groups: Credit Unions Versus Moneylenders*, Combat Poverty Agency Working Paper Series, forthcoming 2005

⁴¹ Similar consultation was referred to in the discussion of the Community Food Co-operative (section 4.5.2)

⁴² This is generally seen as good practice in the building of new credit union premises in Ireland.

⁴³ The case of Bishopstown Credit Union Ltd in Cork is of note here. While building new premises in the late 1990s, the board of the credit union decided to open a temporary office in the local shopping centre. When the new premises were ready to open, the board decided to close the office in the shopping centre. The members made it clear to the board that the office in the shopping centre was very convenient and they objected to its closure. The credit union now operates both offices, together with one other branch at the other side of the community.

7.2.5 Communication

TCU makes enormous efforts to engage in regular one-way and two-way communication with the members. As will be seen later, it attempts to involve its members at every stage of what it does. This also entails formal and informal communication at many different levels: through written media such as leaflets, notices, brochures, annual reports, newsletters, newspaper articles, the website, surveys, suggestion boxes, feedback forms, membership packs; and through verbal media, such as the annual general meeting, think tanks, member forums, advisory councils, open meetings, staff at counters, and so on⁴⁴. As will be seen later, TCU views proper communication as an important tool in creating and maintaining organisational identity⁴⁵. TCU also recognises that language is important in both its verbal and written communication, particularly financial language, and employs a communications expert to ensure that the message it attempts to communicate in its written documentation is compiled in a clear and understandable way⁴⁶.

TCU recognises that credit unions do not work in isolation and need to be seen to be different to other financial institutions. This is particularly true of government, who legislate and make tax provisions for credit unions, and of other financial institutions who often do not fully understand what it is that sets credit unions apart. TCU makes particular efforts to communicate what it does to non-members and other stakeholders through various media. For example, its widespread involvement in community development initiatives has been widely publicised in both local and national media, both to promote TCU and its co-operative difference⁴⁷.

⁴⁴ As discussed throughout McCarthy O., M. O Fathaigh & M. Ward, *Credit Union Communications*, Centre for Co-operative Studies, UCC, 2001 and seen in practice in the examples of co-operative practice earlier (sections 4.5.1, 4.5.2, 4.5.3 and 4.5.4)

⁴⁵ An issue which was raised and researched in Irish credit unions by Byrne N., *An Analysis of Member Commitment and Organisational Identity within a Credit Union Context*, unpublished masters dissertation to the Department of Food Business and Development, UCC, 2000.

⁴⁶ This practice is undertaken by the Irish Financial Services Regulatory Authority in its consumer literature and is one which could well be considered by credit unions.

⁴⁷ The lack of this activity by credit unions was raised by Byrne N. in *An Analysis of Member Commitment and Organisational Identity within a Credit Union Context*, unpublished masters dissertation to the Department of Food Business and Development, UCC, 2000. It has also been raised by McCarthy O., R. Briscoe & M. Ward in *Redesigning the Credit Union for the New Millennium*, The World of Co-operative Enterprise, Plunkett Foundation, 2000, pp.117-130. Because Irish credit unions have not been active in promoting their differences, the movement has been subject to the case taken against them by the Irish Banking Federation in the European Courts in the late 1990s, on the grounds of unfair competition. The case arose from the fact that credit unions are

7.2.6 Training and education

A training liaison officer is appointed by the board of directors of TCU, under the Standard Rules for Credit Unions, who co-ordinates all training and educational activities for staff, volunteers and members.

As discussed in section 7.2.2, TCU has a comprehensive training programme in place for staff. This is also true for all volunteers. All new volunteers or those who are considering becoming volunteers are invited to participate in induction training. This training is designed to introduce members to the operations of the credit union and to the other volunteers and staff who are involved⁴⁸. On completion of this training, volunteers can decide in which area of the credit unions' operations they would like to be more involved. More specialised training is offered at this point. If suitable courses are not available from the usual credit union training providers, TCU will either devise its own training course or look beyond the traditional providers. Where possible, TCU attempts to co-ordinate its training activities with other credit unions in order to share the costs of training. An example of this was when TCU had 3 people wishing to participate in the Front Line Skills course offered by the Irish League of Credit Unions. The standard fee catered for 10 people, so TCU approached 4 other credit unions until 10 people had been found for the course. The cost was shared out between the 5 credit unions⁴⁹. Board training takes place every six months on issues of relevance to the board.

not required to pay corporation tax on their 'profits' while conventional financial institutions are. Both the Irish League of Credit Unions and the (then) Registrar of Friendly Societies compiled large documents in defence of credit unions, explaining the real differences in operations and practice between credit unions and conventional banks. This was a reactionary response to a threat to credit unions. Since this time, and despite the work that was done to highlight the credit union difference, little appears to have been done to consolidate the image of credit unions as being different, at least on a national scale. There is certainly scope for far more work in this regard.

⁴⁸ The importance of induction training for volunteers in credit unions is highlighted in research by Byrne N., O. McCarthy and M. O'Shaughnessy, *A Study of Volunteerism in Irish Credit Unions and Social Enterprises*, Centre for Co-operative Studies, UCC, 2004. See, in particular, section 3.8.1 (p.75) of that study. It is also discussed in the Italian Consumer Co-operative context in *Making Membership Meaningful*, International Joint Project on Co-operative Democracy, Centre for the Study of Co-operatives, Saskatchewan, 1995, p.128

⁴⁹ This is regular practice across credit unions in the Cork area.

TCU also has a policy to support any of its staff or volunteers who wish to seek further education, as long as it has relevancy to their work in the credit union⁵⁰.

Education of the members and the non-members in the community is also a key priority for TCU. All new members receive a membership pack on joining, explaining their rights and responsibilities as members of a co-operative organisation, the services on offer, loan application procedures and so on⁵¹. Once every two years, TCU runs an open evening for all members and non-members explaining the services it has on offer, including savings plans, budgeting, careful borrowing, and financial counselling, and featuring presentations from the manager and an officer of the local Money Advice and Budgeting Service (MABS)⁵².

7.2.7 Planning, management and leadership

Planning:

There is no shortage of planning in TCU. Planning in the credit union involves the board primarily, setting targets for the credit union in terms of growth, services, special projects, and so on. Planning is informed by the members through think-tanks, member forums and advisory council meetings and through ideas brought to the board through the various committees⁵³. The staff also have an input and are consulted with regard to all plans set down by the board.

Strategic planning is the remit of the board, primarily. A strategic plan is drawn up once every five years by the board, through consultation with the members and staff. The importance of planning is clear to the board of TCU and an annual review takes place at a full day session to determine progress or issues that need to be revisited⁵⁴. Progress on the strategic plan is reported to the members at AGM.

⁵⁰ Again, standard practice in many Irish credit unions, including ICU (see section 6.8.6)

⁵¹ This is standard practice in Eircom Services Credit Union Ltd., Co. Dublin and the Community Food Co-operative (section 4.5.2)

⁵² Similar practice was seen in Oxford, Swindon & Gloucester Co-op (section 4.5.1) and the Community Food Co-operative (section 4.5.2)

⁵³ Such as in Oxford, Swindon & Gloucester Co-op (section 4.5.1), the Community Food Co-operative (section 4.5.2) and the Group Health Co-operative (section 4.5.3).

⁵⁴ Such practice was seen in ICU (section 6.8.7)

Management:

Management in TCU is the responsibility of the board of directors and the manager. The board takes responsibility for the overall strategic management of the credit union while the manager is charged with its operational management. The manager reports to the board once a month at the board meetings. The quality of management is assured through regular training and a priority on effective communication between the board and the manager and between the manager and the staff. The current manager was recruited because of his experience and interest in credit union matters, his financial expertise, and his personable character.

Leadership:

TCU has strong leadership from its President. The position of President tends to rotate once every three years, although there is provision for it to rotate each year. The position of President tends to be held by board members who have been in office for 5 years or more and who have built up considerable experience and training in credit union matters. The current President in TCU had originally been a staff member who took up an employment position elsewhere but remained as a volunteer with TCU. She provides the board with vision and serves as a uniting force. She is also well-known to the members because she maintains a visible presence in the community for the benefit of the credit union⁵⁵.

7.2.8 Relationships between personnel

The relationships between personnel in TCU are generally quite healthy. There is a strong degree of camaraderie between all personnel, aided by an emphasis on maintaining a balance between professional and social interaction and engendering a team spirit.

For the staff, regular meetings ensure that all issues have an opportunity to be aired before they become too serious. The manager listens carefully to all staff at these meetings and works with the staff on any issues that arise. The manager also acts as

⁵⁵ The advantages of having a well-known leader in the credit union were seen in research by McKillop D., O. McCarthy, M. Ward, R. Briscoe & C. Ferguson, *Women in the Irish Credit Union*

liaison between the board and the staff on work related issues and there is a policy that directors do not discuss work matters with staff individually where these matters affect several staff members. This helps to ensure that miscommunication is minimised⁵⁶.

As shall be seen in section 7.3.2.2, the committees themselves meet about once a month but hold ‘committee days’ once a year where all committees meet to discuss their work and to identify areas where they can work more closely together. This helps to engender a greater sense of teamwork between personnel on committees and to ensure that there are effective working relationships between them.

Co-operation between the board and all committees is extremely important and all committees report to each monthly board meeting. In particular, a strong and open relationship between the board and Supervisory Committee is essential⁵⁷. TCU ensures that the Supervisory Committee are kept informed of all activities, are given all of the facilities and co-operation they require to carry out their work, and are part of any social activities that take place. This has helped to build and maintain a strong element of trust between the board and the supervisors.

An essential element in engendering good relationships between personnel in TCU is its induction programme for all new staff and volunteers⁵⁸. This helps to build relationships in that everyone is introduced to one another and becomes familiar with each other’s work.

7.2.9 Community

TCU is a community-based credit union with close to a full membership penetration of the local population. It is located centrally within the community, with two offices: one in the local shopping centre at the north side of the community and the other, a custom-built, main office on the south side of the

Movement: North and South, Oak Tree Press, Cork, 2002. See Chapter 6 in that book, pp.94-115, in particular.

⁵⁶ The author’s experience when she was an employee of a credit union.

⁵⁷ This was seen in research by Byrne N., O. McCarthy & M. Ward, *The Role of the Supervisory Committee in Credit Union Governance*, Centre for Co-operative Studies, UCC, 2003, pp.74-78.

community. Both offices are located on bus routes and are generally easily accessible.

There is a strong sense of 'common bond' within TCU. As with all credit unions, the members must hold the common bond, but this means somewhat more in TCU than in most credit unions. In TCU, there is a real sense that holding the common bond makes members part of a tight-knit network of like-minded people who openly co-operate with each other, share information, and are involved in activities which further the credit union and the community in which in it operates⁵⁹.

TCU is particularly active in the community viewing at least part of its role as that of a promoter of community development. An example of this was in evidence when TCU decided to embark on a programme of tackling unemployment in the community⁶⁰. In the early 1990s, it became evident that unemployment appeared to be a real problem within the local community. TCU commissioned a survey to determine the extent of the problem within the area and having established that it was significant, set about finding ways to help alleviate it. It invited all members to attend an open forum, one held during the day and one in the evening, to discuss how they perceived the issue to affect them and the community around them and to agree a way forward. A task force of interested members, numbering twelve, together with three board members from the credit union, was formed and set about implementing two core ideas which came from the membership: the running of a Start Your Own Business Course and the establishment of a Loan Venture Fund, in order to encourage unemployed members of the credit union to set up their own business. The idea of the Start Your Own Business course was to encourage people who were currently unemployed and interested in establishing their own business to do so by giving them the necessary skills. Recognising that the task force did not have the skills to run such a course, the task force approached the relevant State

⁵⁸ As referenced earlier.

⁵⁹ See, for example, the case study of CCEC Credit Union in Canada conducted by Coll M., *Ethical Policy and Co-operative Development: A Study Exploring the Impact of Ethical Commitment Statements on Two Canadian Credit Unions*, unpublished Masters dissertation to the Department of Food Business and Development, UCC, 2002

⁶⁰ Most of this discussion is drawn from research conducted by McCarthy O., R. Briscoe & M. Ward, *Credit Unions and Job Creation*, Centre for Co-operative Studies, UCC, 1999

authority and the credit union agreed to fund 2 courses with 15 participants each, with an agreement to run one a year indefinitely, while demand existed.

When the initial courses were complete, 8 of the 30 participants decided to proceed with setting up their own businesses. At this point, it became clear that the participants who wished to establish their own enterprise faced a new stumbling block which was unforeseen by the task force: there was a very limited availability of space from which new enterprises could operate within the community, and rents on existing units were very high. The task force felt that the credit union could play a role in helping to alleviate this situation. The task force approached the credit union about the possibility of purchasing some incubation units which could be rented out to new businesses in the area. After some discussion, TCU agreed to do so and fledgling businesses were offered a unit. The stipulations put on occupation of the units were that the business owner had to be a member of the credit union and had to be introducing a new service to the community.

The second core idea to be implemented by the task force was the establishment of a Loan Venture Fund from which people who were unemployed could borrow to establish their business. The task force began by assessing the credit needs of the unemployed, by reading prior research and interviewing key witnesses. It was determined that low cost credit, flexible repayment terms and the ability to use social capital rather than conventional capital as collateral were particular requirements of the unemployed. The task force set about designing a credit package to suit these needs.

By the late 1990s, 27 new businesses had been successfully established in the area. Such was the success of the initial task force that delegates from other credit unions regularly visit to learn from the experience. After an initial 3 years, the task force evolved into an Enterprise Committee within TCU.

This is only one example of the range of community initiatives in which TCU has become involved. It has also been involved in supporting a local housing co-operative, in providing grants to sporting organisations, in sponsoring charitable

organisations, supporting youth organisations, funding day care services for the elderly, and so on. Its drive to eliminate the need for moneylenders in the area has been hugely successful with the last moneylender having left the area over 20 years ago, and no moneylenders having returned since.

7.2.10 Perceived ‘overall performance’ of the organisation

TCU is perceived by its stakeholders as performing exceptionally well overall in all aspects of its operations. It is also viewed as an organisation that continually aims to improve on this performance.

As with other credit unions, a field officer of the Irish League of Credit Unions visits once a year to inspect the operations of the credit union and finds few faults. Inspectors from IFSRA on their recent audit had no major issues to report.

From member surveys, it is clear that the members are very satisfied with the performance of their credit union, although they still see some scope for improvement in services.

7.2.11 Values and philosophy

TCU takes its credit union values and philosophy very seriously. As part of its strategic planning process, it conducts a social audit each year. In doing so, it revises each of the credit union operating principles to assess how well it is performing on each one. It also assesses its performance based on its values, such as equity, mutuality, and so on. As an example, TCU recently noticed that although there was a growing community of asylum seekers within the community very few had joined the credit union. Being a non-discriminatory organisation, TCU set about encouraging these new community members to join the credit union.

TCU is also committed to co-operating with other credit unions (as mentioned under section 7.2.6) in any way it can. It is heavily involved in supporting the local Chapter ‘promotions and advertising’ initiative, whereby a number of credit unions jointly fund credit union promotional activities and generic advertising in the local

media⁶¹. It is also, as referred to earlier, working with a number of credit unions to find an IT solution for credit unions.

TCU abides by its ethical statement which mandates it to be socially and environmentally responsible⁶². This was one of the main reasons why it chose to use some recycled materials in the construction of its new premises. It recycles all waste paper and sources recycled paper and ink cartridges for use in the office. It also encourages its members to recycle by supporting the national 'Race Against Waste' campaign⁶³. It fulfils its social responsibility in a variety of ways, including its community development initiatives and its support of various initiatives, including assistance to developing-country credit unions, support of local charities and sporting groups, its family friendly office environment, its respect for its staff, and its service quality to members.

7.2.12 Members' views

As shall be seen in the section on member participation, the members are regularly surveyed for their views on various aspects of the credit union⁶⁴. There is also a less-structured way for members to have their say, through the suggestion box placed in the office⁶⁵. More formally, members can air their views through member forums, think-tanks, advisory councils, AGMs and so on. Informally, members make their views known through the staff members at the counter, which are communicated back to the board through the manager at the staff meetings⁶⁶.

The credit union has a consistently high satisfaction rating among its members. The members have expressed their satisfaction with the level of service being offered

⁶¹ Joint advertising initiatives between groups of credit unions are becoming more commonplace in Ireland. For example, there are eight credit unions in the 'West Cork Credit Unions Marketing Group'.

⁶² This is promoted by VanCity Credit Union in Vancouver, Canada, among others.

⁶³ Involvement by co-operatives in promoting recycling and other environmental initiatives is seen in Italian consumer co-ops, as discussed in *Making Membership Meaningful*, International Joint Project on Co-operative Democracy, Centre for the Study of Co-operatives, Saskatchewan, 1995, pp.119-145

⁶⁴ This was seen in the earlier example of Oxford, Swindon & Gloucester Co-op (section 4.5.1).

⁶⁵ Common practice in many Irish credit unions.

⁶⁶ See, for example, McCarthy O., M. O Fathaigh & M. Ward, *Credit Union Communications*, Centre for Co-operative Studies, UCC, 2001, in particular Chapter 6, pp.45-56 of that study.

although they would like to see more EFT based services being offered. This is something TCU is actively working on at present. They also claim to have deep trust in the organisation.

7.2.13 Humanity of credit union

One of TCU's philosophies is that it seeks to put a 'human face on banking'. It implements this by seeking to know every one of its members at least by their surname, if not by their first name. Staff are encouraged to chat with the members at the counter and to show that the credit union cares about their needs.

The credit union is sympathetic in its lending policy, judging its members credit worthiness on their character, need for the loan and their ability to repay. Members who experience financial difficulties receive financial counselling and a sympathetic ear as well as opportunities to re-finance their repayments into more manageable amounts. TCU co-operates fully with the local MABS officer to assist members or non-members who experience debt as a result of personal or other problems.

Through its member participation programmes, TCU encourages members to take an active role in their credit union. Members are invited to air their views in formal and informal ways, but also to participate in various social activities which help members to get to know each other.

TCU also has a charitable sponsorship programme and donates annually to various charitable organisations in the community. It also provides funds for the development of credit unions in developing countries through the Credit Union Development Foundation operated by the Irish League of Credit Unions. To this end, it has also 'adopted' a credit union in West Africa to which it sends credit union stationery, computer equipment and gifts. It also lent a staff member for 2 months to help establish a second branch.

7.2.14 Image

TCU knows that its organisational identity and image within the community and beyond are important to building trust with members and other key stakeholders. Because of the excellent service provided by TCU, the extent to which it is seen as a community-based organisation, and the extent to which it involves itself within the wider local community, TCU has an extremely positive image among its members and in the community and beyond. This is helped by the fact that TCU communicates what it does well with its members and non-members. It is also seen as a professional financial institution that people can trust.

TCU's main competitor is the local branch of Bank of Ireland, which shows a healthy respect for TCU. Some banking institutions have used anti-credit union slogans in their advertising but not so in this community. The local branch of Bank of Ireland understands the extent of trust and pride the community has in TCU and openly commends TCU's activities⁶⁷.

TCU also attracts interest from outside the community. Credit unions from throughout the country have visited TCU to learn from its operations, in particular, from its community development initiatives⁶⁸. TCU has also had a number of visits from national and international researchers interested in its innovations.

7.2.15 Financial

The financial performance of TCU is measured using the score achieved in the CAMEL ratios. TCU scores very highly in its CAMEL ratios, often achieving bonus points for superior performance. The total score for CAMEL is consistently close to 100.

⁶⁷ This is true of most UK credit unions where the local bank is supportive of the credit union's activities to the extent of providing premises and other services.

7.3 Member participation

This part of the chapter theorises about what TCU, which attempts to engage its members fully in participation, might be like. This is carried out by examining participation in TCU from the viewpoint of 7 categories of participation. These categories are

- a. Involvement of members in democratic decision-making, through AGMS and elections
- b. Involvement of members in directing the co-operative, through boards, committees
- c. Involvement of members in strategic development of the co-operative, through think-tanks, member forums, advisory councils
- d. Involvement of members in running the organisation, through other volunteer activities
- e. Consultation with members, through member meetings, surveys, suggestions boxes
- f. Provision of member information, through newsletters, reports, and websites
- g. Taking part in the social life of the co-operative, through open days, tours, product/service sampling

These categories were devised by the author, having examined the relevant literature and practice in co-operatives and credit unions. A more detailed explanation of the origins and features of these categories is provided in section 8.2.

7.3.1 Involvement of members in democratic decision-making, through AGMS and elections

TCU recognises that its members have a legal right as well as an obligation to participate in democratic decision-making in the credit union. The AGM is seen as the primary means through which key decisions are made by the body of members, but is not viewed as the only means through which members can *input* into

⁶⁸ For example, this has been the case for Tallow Area Credit Union in Co. Waterford which receives

decision-making in the organisation as a whole. The AGM is held in a local venue each year. This venue is very accessible in terms of its centrality of location and its facilities for the disabled, push chairs etc.⁶⁹ Attendance is never reasonably expected to be much higher than the average AGM attendance at credit unions throughout the country, although it is usually 2-3% higher in TCU. Transport is provided by TCU for members in outlying areas⁷⁰. TCU is confident that there are numerous other ways in which members can have their voice heard other than at the AGM and recognise that it is not every member who has the will or the wherewithal to attend and participate in an AGM. Furthermore, members are not required to attend the AGM in order to vote in elections: they are entitled to participate in the elections by postal ballot, by telephone, by email, over the web or while in the credit union office⁷¹. As a result, over half of the members vote in elections. This compares favourably to other credit unions where AGM attendance, and thus member participation in voting, accounts for less than 5% of total membership⁷². TCU always has more candidates for election than there are vacancies. Its Nominating Committee actively ensures that there is competition for places in order to give members a choice about who will represent them at board and committee level. It also seeks a balance in terms of gender, age and social class so that different interests are represented⁷³. Because of the on-going consultation with the members, and the training made available to them, TCU does not usually have difficulty in finding willing candidates for the board and committees.

The AGM follows the standard layout as stipulated by the Standard Rules for Credit Unions, and as required by statute. However, there is one addition to the

visits from other credit unions regarding its job creation initiatives.

⁶⁹ Common practice in most Irish credit unions.

⁷⁰ Again, common practice in Irish credit unions, both urban and rural.

⁷¹ The ability to vote outside the formal structure of the AGM is a feature of Italian consumer co-ops, as discussed in *Making Membership Meaningful*, International Joint Project on Co-operative Democracy, Centre for the Study of Co-operatives, Saskatchewan, 1995, pp.119-145. In that book, reference is made to 'Coop Liguria' where 22,000 members voted for area committees.

⁷² McKillop D., O. McCarthy, M. Ward, R. Briscoe & C. Ferguson, *Women in the Irish Credit Union Movement: North and South*, Oak Tree Press, Cork, 2002

⁷³ The lack of and need for this kind of activity in Irish credit unions was discussed in research by McCarthy O., R. Briscoe & M. Ward, *An Analysis of Youth Involvement in Irish Credit Unions*, Centre for Co-operative Studies, UCC, 1999 and in McKillop D., O. McCarthy, M. Ward, R. Briscoe & C. Ferguson, *Women in the Irish Credit Union Movement: North and South*, Oak Tree Press, Cork, 2002.

meeting. In order to make the AGM more relevant to the members and in recognising that the layout and content of the meeting can be tedious, the credit union has set aside one part of the meeting specifically to address members' particular interests⁷⁴. In this regard, TCU, in writing to its members giving notice of the AGM, invites all members to suggest a credit union related issue of particular concern or interest to them for discussion at the meeting. The issue that is most often suggested is discussed at the AGM while all other issues are referred to the member forums and advisory councils for discussion. The members who suggest the chosen topic each receive a small prize from the credit union in recognition of their input, if they are in attendance at the AGM. This initiative has the dual purpose of encouraging members to raise issues of concern to them and also in further incentivising them to attend the meeting. As with other credit unions and co-operatives, there is also a modest prize draw for all members who attend.

In the reports given to the members at AGM, there are additional reports from the member consultation initiatives which took place during the year, as well as progress reports from the board on the issues discussed. This way, the board is accountable to the members on the issues that are of particular interest and concern to them and that have been raised by them during the year.

There are always a lot of contributions made to the meeting by the members, and by a variety of different members. There is active questioning of the board and a keen willingness on the part of the board to respond to questions and to encourage feedback from 'the floor'. TCU attributes the extent of 'activity' at the AGM to its active attempts to give members the skills they need to participate in the meeting⁷⁵. A free training course on effective communication and assertiveness is offered each year to all members approximately one month in advance of the AGM. The course takes up to 20 members and the notes are available on the credit union's

⁷⁴ The AGM, as an important source of information for co-operative members, is discussed in a Canadian co-operatives context in *Making Membership Meaningful*, International Joint Project on Co-operative Democracy, Centre for the Study of Co-operatives, Saskatchewan, 1995, Chapter 5, pp.201-216

⁷⁵ Prior training for first time delegates to AGM was cited as a member development activity undertaken by 'Co-op Atlantic' in *Making Membership Meaningful*, International Joint Project on Co-operative Democracy, Centre for the Study of Co-operatives, Saskatchewan, 1995, p.164

website and in hardcopy for members who were unable to attend but would like more information. Where demand exceeds 20, a second course is run. Priority is given to those members who have not availed of the course with the credit union before. Over the years, this course has given members more confidence in addressing the meeting. Members who feel uncomfortable addressing the AGM always have the option to make their views known in a variety of other ways, including feedback questionnaires.

All reports at AGM are given using a Powerpoint presentation. This ensures that all members present can see the main trends in the credit union in the past year. Microphones are used to ensure that all members can hear the proceedings. Each member present receives a copy of the annual report, which is designed and produced by the members who form the 'Annual Report Committee'. This ensures that the information that the members want is presented in a format that is accessible to them. All reports presented at AGM as well as the annual report, are made available on the credit union's website.

Evaluations of AGM by members have shown that they are very satisfied that their views are listened to and acted upon.

7.3.2 Involvement of members in directing the co-operative, through boards, committees

TCU offers its members a wide range of opportunities to get involved in directing the organisation through voluntary involvement on boards and committees.

7.3.2.1 Board of directors

The board of directors in TCU is charged with the overall strategic direction of the credit union. There are 15 positions on the board which are filled by a cross-section of members: 7 women and 8 men; 2 representatives from the youth committee, 2 home makers, 4 who work full-time in professional positions including an

accountant and a solicitor, 5 who work in manual positions, and 2 who are retired⁷⁶. As seen earlier, there is never a difficulty in filling vacancies which arise on the board. This is attributed by TCU primarily to the existence of the advisory councils and member forums⁷⁷, where members who show a particular interest in the credit union are ‘groomed’ for the board.

Board meetings are held once per month. 3 board members have young children and 1 board member cares for an elderly parent, so child care and elder care facilities are made available to these board members when necessary, at the expense of the credit union, to enable them to attend meetings. Reaching a quorum has never been a problem for TCU. The agenda for the meeting, together with the minutes of the previous meeting, reports from committees, and reports of the advisory councils etc are posted to all board members and supervisors one week in advance of the meeting. The manager and one other senior staff member also attend the meeting to ensure that decisions affecting staff are communicated to the staff as a whole.

Board meetings normally take 2-3 hours. Discussion is open and frank and all board members feel comfortable airing their views in front of the others. There is a real sense at board meetings in TCU that the credit union is owned by all the members and feedback from members through various means is always considered carefully and acted upon where possible. Discussion is never dominated by a small number of people and there is never a sense that decisions have been ‘made’ before the board meeting takes place. This openness is aided by the fact that board training is arranged once every 6 months on different issues⁷⁸. One in every four training sessions relates to communication skills. There is also at least one team-building

⁷⁶ The importance of a mixture of members who are representative of the membership was discussed in research by McCarthy O., R. Briscoe & M. Ward, *An Analysis of Youth Involvement in Irish Credit Unions*, Centre for Co-operative Studies, UCC, 1999 and in McKillop D., O. McCarthy, M. Ward, R. Briscoe & C. Ferguson, *Women in the Irish Credit Union Movement: North and South*, Oak Tree Press, Cork, 2002.

⁷⁷ Advisory councils and member forums are discussed in more detail in section 7.3.3. At this point, it is worth noting that they are a key feature in some highly participative co-operatives.

⁷⁸ The importance of regular board training was a key finding in Byrne N., O. McCarthy & M. Ward, *Training and Education in Irish Credit Unions*, Centre for Co-operative Studies, UCC, 2002. Watkins (1986) points to the need for training and re-training of co-operators in co-operation.

event in the year for the board, staff and other volunteers in the credit union to give the credit union personnel experience in working together but in a fun-filled way.

There is a limit of 9 years on the length of time for which a board member may serve before taking a mandatory break of 3 years⁷⁹. This helps to ensure continuity on the board as well as making greater opportunities available for new board members to be elected.

There is a position of President in TCU, which can change on an annual basis⁸⁰. The President chairs the AGM. This position has been held by a variety of men and women over the years. However, the position of chairperson changes monthly, ensuring that nearly all board members experience the chairing of a meeting within one year. All other officerships are year long positions.

7.3.2.2 Committees

There is a wide variety of committees in TCU addressing specific issues. Because TCU really knows its members as a result of on-going consultation and communication, it has secured the involvement of a wide range of members with appropriate skills at committee level. Furthermore, it provides adequate training for members who feel they have an interest in a particular aspect of the credit union's activities in order to encourage them and enable them to be involved⁸¹. The committees include the Supervisory Committee, the Credit Committee, the Credit Control Committee, the Investment Committee, the Youth Committee, the Planning and Development Committee, the Training, Education and Marketing Committee, the Annual Report Committee, the Newsletter Committee, the Nominating Committee, as well as *ad hoc* committees which are established from time to time to deal with specific issues, such as the Building Committee.

⁷⁹ Similar practice is conducted by the board of directors of the Irish League of Credit Unions.

⁸⁰ This is common practice in many Irish credit unions, where a member of the local Catholic clergy is given an honorary role in recognition of the huge contribution made by the Catholic Church in giving credit unions the credibility they needed to become fully established in the 1950s and 1960s in particular.

⁸¹ A key feature of 'Co-op Kanagawa' in Japan as cited in *Making Membership Meaningful*, International Joint Project on Co-operative Democracy, Centre for the Study of Co-operatives, Saskatchewan, 1995, p.53-54.

The policy of TCU is to have one board member only on each committee (with the exception of the Supervisory Committee which has no board members), to ensure that the committee's work will be reported back to the board, and also to ensure as wide a representation of members on committees as possible. Each committee reports to the board each month on its work. Committee members are invited to team building events in the credit union to help to establish a strong relationship with board members. Committees are also encouraged to communicate with one another where relevant, and 'committee days' are organised once a year to facilitate presentations by each committee on their work to the members of other committees, enabling issues of common interest to be raised.

Members who wish to join committees and who require assistance with child care and elder care to do so, are given a monetary allowance to make the necessary arrangements to attend meetings. The Nominating Committee is charged with finding suitable candidates to serve on committees and normally, though not exclusively, tend to recruit from among the members who attend member forums and other events. As with the board, there is a limit of 9 years on the length of time for which a committee member may serve before taking a mandatory break of 3 years. This helps to ensure continuity on the committees as well as making greater opportunities available for new members to be elected. The committee members are considered as a fertile recruiting ground for the board.

7.3.3 Involvement of members in strategic development of the co-operative, through think-tanks, member forums, advisory councils

Recognising that board and committee involvement does not suit everyone's tastes or time schedules, TCU has arranged a variety of other ways in which members can get involved in the strategic development of the organisation. There are four distinct areas within its common bond which are of similar size. TCU has established an advisory council⁸² in each area which meets 3-4 times per year. The

⁸² Irish agricultural co-operatives adopt similar practices. Advisory councils in co-operatives are also referred to in the case study of the Group Health Co-operative in section 4.5.3 and in various case

advisory council comprises of 1 board member and as many other credit union members in the area who wish to attend the meetings. On average 30-40 members attend each meeting. All members are notified of the advisory council meetings in their area through the credit union newsletter, the website and the local parish publications. The advisory council has no decision-making authority but discusses issues of concern to members in the area and makes representations to the board. For example, a number of years ago the advisory council in one area made representations to the board for a sub-office of the credit union to be opened in their area to cater for the needs of the high population of elderly members in the area who were unable to travel to the main office⁸³. The board of TCU then conducted a survey to establish the level of support from members for a potential sub-office. The results were highly favourable and a sub-office was opened on Thursday and Fridays in response to member needs in the area⁸⁴. A later evaluation of the new sub-office revealed that members were pleased to have been able to exercise a direct influence on the level of service provided to them.

TCU also organises a ‘services think-tank’ once a year where all members are invited to attend a one hour session to brainstorm on how existing services can be improved and what additional services can be offered. This is held early in the evening with finger food and snacks made available. The board also uses this opportunity to partner with a local organic food co-operative, who provide the food at cost in return for free advertising⁸⁵. The results of the think-tanks are circulated to all members who attend and are posted on the website and in the newsletter of the credit union. A report is made to the board and the board is mandated to report

studies in *Making Membership Meaningful*, International Joint Project on Co-operative Democracy, Centre for the Study of Co-operatives, Saskatchewan, 1995

⁸³ Research into the specific needs of older members is a feature of consumer co-ops in Italy. See, for example, *Making Membership Meaningful*, International Joint Project on Co-operative Democracy, Centre for the Study of Co-operatives, Saskatchewan, 1995, pp.119-145

⁸⁴ Similar member research was conducted by Bandon Credit Union, Co. Cork, prior to the opening of two sub-offices in outlying areas of the common bond.

⁸⁵ Interesting examples of co-operation between credit unions and other forms of co-operative are discussed by Coll M., *Ethical Policy and Co-operative Development: A Study Exploring the Impact of Ethical Commitment Statements on Two Canadian Credit Unions*, unpublished Masters dissertation to the Department of Food Business and Development, UCC, 2002. See in particular pp.105-108

back to the members on progress made on ideas suggested by the members at the next AGM.

7.3.4 Involvement of members in running the organisation, through other volunteer activities

For some members, voluntary activity is an opportunity to give something back to an organisation without having to be involved in decision-making or regular meeting structures. At TCU, voluntary activity by members is openly welcomed and promoted to the members through various forms of media. Members can choose which activity they would like to be involved in according to their own needs and abilities and the type of work that needs to be done. Training is made available to anyone who wishes to get involved but feels they do not possess the necessary skills.

Members are invited to become involved at different levels. Voluntary tellers serve at the counter, mostly at weekends. This is particularly attractive to the younger members who wish to gain some work experience. Members are also welcome to do back-office work, such as cleaning, filing, book-keeping and so on, according to the office needs. Volunteers are also sought at particularly busy times in the office. For example, when the credit union was changing over to the Euro, members volunteered to help explain to members as they queued in the office how their transactions would be dealt with and what the on-going impact would be on the members and the credit union⁸⁶. As a result the changeover ran very smoothly. Another volunteer calls to the homes of members who are in arrears on their loan repayments and encourages them to make contact with the credit union⁸⁷. A large group of volunteers deliver the credit union newsletter to the homes of all members each quarter.

⁸⁶ The author, herself, experienced this level of service from a volunteer in a credit union when changing IRL£ currency to € currency at that time.

7.3.5 Consultation with members, through surveys, suggestions boxes

In order to enable all members to have their views heard in the organisation, TCU conducts an annual survey of all members⁸⁸, to allow for the proportion of members who will not attend meetings and other events. The survey seeks views on potential and existing services, premises, staff, structure and other issues relating to the operation of the credit union. The results of the survey are then posted to all members and a full report on implementation progress made at the AGM and presented in the annual report.

There is also a suggestion box⁸⁹ in clear view in the office for members who wish to have their say in a more anonymous way. The views expressed are presented to the board each month and responses are prepared and posted on the notice board in the office. An overall report on suggestions made and implementation is made at AGM and presented in the annual report.

7.3.6 Provision of member information, through newsletters, reports, and websites

TCU provides information to members through a variety of means such as a newsletter, brochures, leaflets, a website and of course, the annual report⁹⁰. On joining, all new members receive a set of leaflets detailing the ethos of the credit union and are invited to attend a new members' meeting where their rights and responsibilities as members are explained. Information regarding services, democratic structure, financial advice and ethos are on display in the office and are free for members to take away. Four times a year the Newsletter Committee produces a newsletter outlining any changes, developments or social news in the credit union. The newsletter also features letters from members about their experiences with the credit union and a prize is offered for the most original letter.

⁸⁷ This occurs in numerous credit unions, but of note to the author, in Farranree Credit Union, Cork City.

⁸⁸ Common across a range of co-operatives worldwide but not a key feature of Irish credit unions.

⁸⁹ Suggestion boxes are common in many Irish credit unions. Their use is also discussed in the context of Scottish co-operatives in *Making Membership Meaningful*, International Joint Project on Co-operative Democracy, Centre for the Study of Co-operatives, Saskatchewan, 1995, p.84.

⁹⁰ This is common practice in most Irish credit unions and was also seen as a regular activity in a variety of co-operatives in different countries in *Making Membership Meaningful*, International Joint Project on Co-operative Democracy, Centre for the Study of Co-operatives, Saskatchewan, 1995

A copy of the newsletter is delivered to each member by a team of volunteers in each area⁹¹. The newsletter is also available in the office and on the credit union's website. As already mentioned, the annual report is also available to all members and contains reports on the credit union's activities, feedback on members' input, accounting statements, and so on. This is compiled by a group of members who work in association with the credit union staff to complete the document each year.

The credit union website was designed and developed by a member of the credit union.

7.3.7 Taking part in the social life of the co-operative, through open days, tours, product/service sampling

TCU believes that all work and no play leads to it being a very dull organisation indeed. It feels that it is important to involve members in social activities as a way of familiarising themselves with the other credit union members and giving them opportunities to provide feedback in a less structured and more sociable way. For example, before the credit union decided on the layout of its new premises, it invited members to feedback to the credit union on what it liked most and least about the existing premises and to give suggestions for the layout of the new premises. An informal evening was hosted by the credit union to allow the members to mingle and chat with the architect and engineer as well as the Board and the Premises Committee about the building proposals. When the new premises opened, it held an 'open week' where all members were invited to view the entire building and were provided with childcare facilities on the premises to do so⁹².

Each year, TCU arranges a buffet dinner for its retired members, many of whom have been members of the credit union for many years⁹³. This is well-attended and gives members the opportunity to meet and to 'catch up' with each other. Youth activity days are also arranged and help to highlight the existence and services of

⁹¹ *Making Membership Meaningful*, International Joint Project on Co-operative Democracy, Centre for the Study of Co-operatives, Saskatchewan, 1995 cites the case of 'Co-op Kanagawa' which distributes 300,000 copies of its member magazine each month. (See p.52 of that book.)

⁹² The author has seen a number of Irish credit unions engage in this kind of activity, making face-painting and other children's entertainment available.

the credit union to young people in the community. These youth activities are usually issue-centred and are organised by the Youth Committee⁹⁴. For example, one activity involved young members in fun fund-raising activities to enable livestock to be purchased and sent to under-privileged African families⁹⁵. This has also helped to highlight social inequalities to young people.

Every six months, the credit union organises a ‘cinema night’ whereby all members can avail of heavily discounted tickets to attend a particular film on a particular night at the cinema. These ‘cinema nights’ alternate between evening showings and Saturday morning showings in order to cater for members with children and young members, and members who do not wish to bring children. The credit union also uses the advertising slot before the showing to promote the services it has to offer. While relatively inexpensive, these social gatherings have proved enormously popular with the members and have helped to engender a sense of community among credit union members.

7.4 Conclusions

This chapter examined *theoretically* what member participation and OE might be like in a credit union that is highly effective and which fully engages the members in participation. The term ‘theoretical’ refers to a theory of practice based on existing good practice in co-operatives and credit unions. Therefore, the ‘theory’ is grounded in actual practice in co-operatives and credit unions in Ireland and throughout the world.

It has been seen that TCU is particularly active in involving its members in ‘designing for use’ – in other words, the members play a key role in identifying their own needs and in devising services to meet these needs. TCU takes a proactive approach to involving the members and makes a range of different opportunities

⁹³ This kind of activity is arranged by ICU each year.

⁹⁴ The range and importance of youth activities organised by youth co-operators are explored in Smith J., R. Puga & I. MacPherson (eds), *Youth Reinventing Co-operatives: Young perspectives on the international co-operative movement*, British Columbia Institute for Co-operative Studies, Victoria, 2005

⁹⁵ This work has been undertaken by the Youth Committee of Mitchelstown Credit Union, Co. Cork.

available to suit differing interests and capabilities of members. There is a clear sense of ownership among the members and the members feel strongly that their contribution makes an important difference to the way TCU is run.

TCU is also very effective on each of the OE criteria laid down. It was seen to be particularly active on a variety of issues, including the provision of a wide range of relevant services, strong involvement in local community projects, regular and open two-way communication with members, and relevant educational and development programmes for members. It also exhibited healthy growth rates, a commitment to its values and philosophy, good staff relations, regular planning, strong management and leadership and an excellent overall perceived performance. It is clear that because TCU has involved its members in a wide variety of ways in its operations, it is more effective on a range of OE criteria. For example, because it has involved the members in decision-making regarding the premises, it has premises that are designed to cater for the needs of members in terms of privacy, access, children's entertainment, and so on. Because it regularly communicates with the members in a variety of different ways, it knows what kinds of services the members want and therefore its services are useful to the members and show a high uptake. Therefore, the findings of TCU lend support to the hypothesis of the research. A more thorough and detailed analysis of these findings is contained in Chapter Nine.

Naturally, one would expect gaps between practice in the case studied credit unions (CCU and ICU) and the highly effective, highly engaged theoretical credit union (TCU). These gaps, and an analysis of what credit unions like CCU and ICU could be doing to be more effective and more participative, will also be explored in Chapter Nine.

The next chapter, Chapter Eight, sets out a typology and indicators of member participation developed from the literature and the discussion in Chapter Six⁹⁶. It

⁹⁶ For clarity, consistency, and ease of analysis, this typology and the indicators have already been used in this Chapter, Chapter Seven, as a framework for examining member participation. The

then examines member participation across a broad sample of actual credit unions, using the typology and indicators.

development by the author of the typology and indicators is explained more fully, however, in section 8.2.

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Chapter Eight

Member participation in a broader sample of credit unions

8.1 Introduction

This chapter sets out member participation in a typical Irish credit union today based on qualitative research in 10 credit unions within the credit union Chapter being studied. One aim of the case studies in Chapter Six (CCU and ICU) was to help identify indicators or characteristics of member participation in credit unions in order to assist in the study of member participation in a larger number of credit unions within the credit union Chapter being studied. A study of the relevant literature and an examination of practical examples of different forms of co-operatives around the world also assisted in determining what these indicators might be.

8.2 Typology and indicators of member participation

It has been seen from the discussion in previous chapters that member participation is central to co-operatives. Co-operatives must be run with the approval and input of their members. The co-operative must be designed around meeting the needs of the members and therefore the members must understand and articulate what their problems and needs are, and play a key role in meeting these needs. Members must be able and be enabled to have their say in the running of the co-operative in order to ensure that it is run for their own benefit. This also entails keeping the members informed of developments. Members must also be involved in democratic decision-making on key strategic issues.

In practice, co-operatives employ various forms of member participation to elicit members' needs, to educate members, and to involve members in decision-making and operational issues and so on. These include consultative meetings, educational forums, written information provision, member feedback mechanisms, boards, committees, volunteer work, advisory councils, member meetings (quarterly and annually) and so on. In general terms, it can be said that these are practiced to varying degrees in co-operatives. It has been seen from the two case studies that, in some co-operatives, particularly Irish credit unions, the emphasis is clearly placed on the democratic process of electing representatives to run the organisation on the member's behalf. In other co-operatives, there is a greater focus on member consultation and involving members in determining their own needs and designing services and products to meet those needs. Some co-operatives put a strong emphasis on all forms of participation.

Birchall's (1999; 2001) discussion of member participation in co-operatives, considered in section 4.4, sets out some of the main forms of participation in the form of a ladder and in the form of a typology. Based on earlier discussions of member participation in this thesis, this typology can be further developed and indicators of member participation in co-operatives added in order to provide a framework for a broader examination of member participation, in Irish credit unions in this case, or other forms of co-operative in further studies.

Having examined the literature and practice in co-operatives and credit unions, member participation can be broadly categorised as follows:

- a. Involvement of members in democratic decision-making, through AGMS and elections
- b. Involvement of members in directing the co-operative, through boards, committees
- c. Involvement of members in strategic development of the co-operative, through think-tanks, member forums, advisory councils
- d. Involvement of members in running the organisation, through other volunteer activities

- e. Consultation with members, through member meetings, surveys, suggestions boxes
- f. Provision of member information, through newsletters, reports, and websites
- g. Taking part in the social life of the co-operative, through open days, tours, product/service sampling

(It should be noted that these 7 categories may not be mutually exclusive and therefore some of the indicators of participation in each category may overlap.)

The examination of practice in terms of member participation in co-operatives, as carried out in Chapter Four and in Chapter Six, facilitated the development of a comprehensive set of indicators of member participation in credit unions. These are presented in Table 8.1. Each of the indicators is categorised according to one of the 7 categories of participation. Some indicators are listed under more than one category.

TABLE 8.1

Indicators of member participation

Involvement of members in democratic decision-making, through AGMS and elections

The opportunities for voting e.g. in person, by postal ballot, by phone

% of members who vote

% of members who attend AGM

Level of appropriateness to members

The enabling of members to contribute at AGM

Level of contribution by members to AGM

Openness to member comment/questioning

Raising of issues that are real and relevant to the members

Ability of members to contribute to change and development

Accessible AGM venue – physically and geographically

Form of information provision

Participants representative of membership

Involvement of members in directing the co-operative, through boards, committees

Range of opportunities for involvement

% of members involved

Level of appropriateness to members

Involvement of non-board members on committees

Level of attendance at meetings

Raising of issues that are real and relevant to members

Level of participation in discussion

Ability to contribute to change and development

Co-operative decision-making – absence or control of cliques and dominant personalities and opportunity for all to contribute

Accommodating needs and prior commitments of people for meetings

Appropriate training made available and uptake

Active recruitment of board and committee members

Participants representative of membership

Rotation of positions

Level of turnover of participants

Co-operation and communication between committees and the board

Involvement of members in strategic development of the co-operative, through think-tanks, member forums, advisory councils

Range of opportunities for involvement

Level of advertising of events

% of members involved

Level of appropriateness to members

Level of attendance at meetings

Raising of issues that are real and relevant to members

Level of participation in discussion

Ability to contribute to change and development – feedback mechanisms, implementation of members' ideas

Appropriate training made available and uptake

Accessible venues – physically and geographically

Form of information provision

Participants representative of membership

Involvement of members in running the organisation, through other volunteer activities

Range of opportunities for involvement

% of members involved

Level of appropriateness to members

Appropriate training made available and uptake
Active recruitment of volunteers
Participants representative of membership
Rotation of positions
Turnover of participants

Consultation with members, through surveys and suggestion boxes

Range of opportunities for involvement
Level of appropriateness to members
Number of members involved
Raising of issues that are real and relevant to members
Level of participation
Ability to contribute to change and development – feedback mechanisms, implementation of members' ideas

Provision of member information, through newsletters, reports, and websites

Range of media used
Range of distribution mechanisms used
Level of appropriateness to members
Raising of issues that are real and relevant to members
Quality of information made available
Ease of reading, listening, etc

Taking part in the social life of the co-operative, through open days, tours, product/service sampling

Organisation of social gatherings for members
% of members in attendance
Participants representative of common bond
Ability to contribute to change and development – feedback mechanisms, implementation of members' ideas

8.3 Credit unions studied

As explained in section 7.3, this typology was used as a framework for examining member participation in TCU. This section presents the findings of the primary research into member participation across a random sample of ten credit unions within the credit union Chapter being studied. Seven of these credit unions had returned the three OE questionnaires. Each of these credit unions was at a different point on the OE scale. Of a total of 30 credit unions, these 10 credit unions had ranked themselves as follows:

2nd, 6th, 10th, 11th, 12th, 16th, 18th, 20th, 24th, 25th

Therefore there was a wide range of credit unions.

Interviews were conducted in each credit union with at least two, and in the case of 5 credit unions all, of the following: the manager, the chairperson, and a member of the supervisory committee. These interviews took place on the premises of each of the credit unions in question, also affording the author with the opportunity to observe the environment within which the credit union was operating.

Because of the wide diversity in practices of each of the credit unions, in terms of member participation, and at the same time, their similarity in attitudes towards member participation, the findings are collated to reflect the experiences of the 'typical' credit union. Few credit unions will exactly mirror the typical credit union, but most will identify strongly with its experiences and sentiments regarding member participation.

The credit unions ranged in size from over 20,000 members to just under 4,000 members and from over €90 million in assets to €10 million in assets. The average credit union had €43 million in assets and 10,500 members. Three of the credit unions were city centre based, in large suburban communities. The remaining seven were based in more rural towns, at least two of which are traditional 'commuting towns', that is, within commuting distance of the city. All ten credit unions had a community based common bond.

The manager (or a senior staff member in the case of three credit unions) was available for interview in each of the ten credit unions. The chairperson was available for interview in seven of the credit unions. In the remaining three, another board member stepped in, in place of the chairperson. A supervisory committee member in five of the ten credit unions was available for interview. In total, 25 people were interviewed across the 10 credit unions, representing 16 men and 7 women.

Overall, attitudes towards member participation were mixed, and practice was weak. This is not surprising given that the recruitment of volunteers and the training of volunteers were two of the most neglected activities in credit unions.

8.4 Involvement of members in directing the co-operative, through boards, committees

This form of participation is similar to what Birchall (1999) identifies as 'decision-making through committees'. The typical credit union has approximately 20 volunteers in total, at least 3 of whom comprise the Supervisory Committee and 11 of whom are on the board and various committees. The remaining 6 serve on committees, as tellers, or in another position, such as running a schools branch of the credit union. There are on average 6 committees (in addition to the Supervisory Committee) in the typical credit union, comprising the statutory committees of credit, credit control, membership, nominating as well as the planning and development committee and the education committee. The figure of 20 volunteers is stable or decreasing in the typical credit union. There are 2-3 times as many men as women involved in the credit union, a finding which does not support the profile of the typical volunteer in the literature as a whole, but which does support the findings of McKillop et al (2002) who found that more males than females volunteered in Irish credit unions. The average age of volunteers is in the region of 45-60, a finding which supports the literature on this issue. There are no prejudices against involving more women or more young people, nor is the credit union viewed as being 'a closed shop'; it is simply perceived to be difficult to encourage more female or youth members to get involved on a voluntary basis. This is similar to the findings of McKillop et al (2002) in terms of females and of McCarthy et al (1999) in terms of youth.

There are good working relationships between all volunteers. Camaraderie among board members and between board members and other volunteers is strong and there is reasonably regular communication between the various committees.

The typical credit union has 11 members on the board of directors, consisting of 2-3 times more men than women. Full attendance at board meetings is rare, although so is failure to reach a quorum. Discussion at the board meeting is generally contributed to by most board members. Sometimes one or more board members

may attempt to dominate the discussion but, generally speaking, any board members who have something to say will be heard. Between 80% and 100% of all decisions are made by consensus and there is maybe a little, but not much, ‘rubber stamping’.

The board is typically weak in its strategic planning. Reliance is placed by the board on the manager for the strategic development of the credit union. As one manager stated, *“the credit union is becoming more and more management led”*. This weakness is seen as the result of an extreme need for board training. Specialised training courses are available to all volunteers from the Irish League of Credit Unions, the Centre for Co-operative Studies at University College Cork, in-house, and from the local Chapter of credit unions, but take-up is minimal. Most volunteers and other board members have never taken any formal training or at most, engage in training less than once per year. The following comments reflect the sentiments expressed:

“The board don’t take training because they think they know it all already.”

“If it was a matter of competition to be on the board, people would value training more. Trying to get people on the board is a problem.”

“The board is in a rut. It is put off by big figures, rules and regulations, by IFSRA and by the ILCU. The board members were plucked off the street. They’re not interested in training.”

“Some directors have no idea what is being talked about and are afraid to ask because they don’t want to seem foolish. This is a training issue. We have allowed training to slip.”

“If new ideas don’t come from the manager, they won’t be implemented. The board doesn’t have sufficient confidence in themselves or each other, despite long experience. There’s a lot of sameness in the meetings and the reports.”

“The directors feel they know it all already. They may not have the time or the inclination for training.”

“The board are lacking in the area of education.”

“The board should tell the manager the direction of the credit union. They don’t. The manager even writes the annual report!”

“Some decisions we just go along with. We accept that some people, like the manager, know more than others.”

These comments indicate a certain lack of confidence by the board and an inability to engage actively with many of the issues and decisions to be made. The fact that board members seem rarely, if ever, to engage in training and education is at least one cause of this reality. One chairperson pointed out that to be fair to volunteers, it was not easy for them to devote the necessary time to training:

“It is difficult for volunteers to attend training when they’re working by day and have other commitments by night.”

Another comments:

“Time is an issue when it comes to training. It’s easier for those who are retired.”

Indicative of the need for on-going training of board members, including new board members, is the fact that new board members rarely contribute to discussion for at least the first year of their board membership. There is no induction programme for new directors.

Non-board members also receive little or no training and rely on ‘sitting by nelly’, that is, shadowing another volunteer or staff member, to learn how to carry out their

functions. There is no induction for other volunteers either, nor are there manuals explaining the roles and responsibilities at board or other volunteer level. These findings are largely consistent with those of Byrne et al (2002) who found that 57% of credit union personnel engage in training less than once per year. Byrne et al (2002) and Byrne et al (2004) also found that induction training for volunteers in credit unions was poor where it existed.

Schedules for board meetings are generally inflexible, with little or nothing done to accommodate the prior needs of board members, such as the provision of childcare or elder care facilities⁹⁷. Board meetings will be rescheduled if it is clear in advance that a quorum will not be reached. The interviewees were open to the idea of accommodating the prior needs of board members and had not previously thought about providing any alternative facilities. Attempting to re-arrange meetings to suit the needs of the entire board is realistically seen as an impossible task, however.

Schedules for committee meetings are more flexible and are agreed between the members of the various committees on a weekly or less frequent basis.

There tends to be little turnover of volunteers in the typical credit union. Any turnover that takes place was described by one board member as being due to ‘*natural wastage*’ in the sense that as volunteers retired, they were replaced. Another commented:

“There is no huge through-put of volunteers. We hope not to lose people – we have a team together and we don’t want to split this.”

There is no active recruitment of volunteers in the typical credit union. At best, recruitment is sporadic, and normally only takes place in the run-up to the AGM, where candidates are needed to fill vacancies on the board. The Nominating Committee is usually assigned the task of finding candidates and will usually

⁹⁷ Byrne et al (2004) found that the costs of volunteering cited by credit union volunteers included ‘time with family’ and ‘babysitting costs’. (p.63) Birchall (2001), discussed in section 4.8, found that gender, age, and household structure were among the pre-conditions for participation in co-ops.

nominate enough candidates to fill existing vacancies, but no more than that. The result is that there is never any contest in elections at AGM. Existing vacancies are, more often than not, filled by the outgoing incumbents. It is hardly surprising, therefore, that the turnover of volunteers is minimal and confined to the departure of existing volunteers. One chairperson stated:

“The credit union doesn’t actively recruit volunteers. It pays lip-service to volunteer recruitment only. There are more members there who could be asked.”

Others said:

“At AGM there is never any opposition for elections. The Nominating Committee don’t bother – they just provide the minimum number of candidates.”

“We are complacent at AGM if we have enough candidates.”

“The way the system works, we must have candidates. Candidates aren’t encouraged from the floor at AGM. This is standard practice. But then, no one has ever shown any interest. We would have to accommodate someone who did.”

“The Nominating Committee won’t look for more names if they have sufficient. It’s too much trouble to find more. The Nominating Committee don’t do their job properly.”

However, many of those interviewed reflected on how difficult they felt it was to recruit new volunteers and just having enough to fill existing vacancies was a challenge in itself. It was felt that most members have neither the time nor the inclination to participate as a volunteer. The following comments reflect some of the responses:

“People see the credit union as doing a good job and that it doesn’t need more volunteers – ‘don’t change a winning team’ type of feeling.”

“We don’t appeal to members to volunteer. It’s hard to get people involved. We couldn’t lose if we asked!”

“We’ve tried to recruit volunteers but haven’t succeeded. People won’t give the time.”

“We try to find members with sizeable loans to recruit for the board – we use moral blackmail sometimes to recruit.”

“We always have a sufficient number for the board. People don’t want to get involved. People are working and are more self-centred.”

“Many members are grateful for the credit union but won’t repay their ‘debt to society’ by getting involved.”

“We are damn glad to have sufficient numbers standing for election. I don’t see the point in begging and cajoling to get more people for an election than there are vacancies. It’s getting harder and harder to get any volunteers.”

“It’s difficult to get volunteers. You no longer have to go the extra mile, you have to go the extra furlong. Getting people under 50 years of age is a problem. If I had financial commitments, like people nowadays, I’d be daft to be in here giving my time for nothing.”

Many of these comments reflect Parnell’s (1999) and CWC’s (1997) comments that participation will depend on the impact of the organisations on the lives of its members. It would seem that the members are content to leave the running of the credit union to ‘them’ and see no reason to become involved. It is clear that the opportunities for participation exist, but members are not sufficiently interested to

give of their time. This also reflects on the discussion by Chinman and Wandersman (1999) with regard to the ‘free-rider’ issue where people who can benefit from other peoples’ efforts see no reason to make an effort themselves.

Of note, however, is that the annual report of the typical credit union often acknowledges the input of its volunteers but never asks the members to put themselves forward for voluntary service⁹⁸.

There was also a feeling that people today expect to be remunerated in some way for their input and given the level of responsibility and the size of the assets of credit unions, that there is actually a need to have a salaried board. One chairperson stated:

“There would be more interest in credit union involvement if people were financially rewarded. What do we tell potential volunteers they will get for their involvement? Nothing?! They will be able to access loans whether they volunteer or not. We have nothing to offer except to sit for three hours at a board meeting. If everyone got paid for board meetings we wouldn’t be looking for a quorum. This is the way it will have to go in the future.”

Other interviewees commented:

“With the sheer volume of money we’re dealing with we need full-time board participation like having a salaried, executive board.”

“The first reaction of people asked to volunteer is that we already have paid staff so they’re not needed. Then if we ask a volunteer to do something they tell us to ask the staff!”

“We are doing our best to recruit by asking around. The present climate is ‘nothing for nothing’.”

⁹⁸ The issue of the annual report will be discussed in greater detail later in this Chapter, section 8.8.

Although the typical credit union claims not to be viewed as a 'closed shop', it is not prepared to accept 'just any member' as a volunteer. It expects to have 'suitable' members as volunteers, particularly given the increasing responsibilities of volunteers under legislation and regulation and the strict need for confidentiality.

"If there's a vacancy we look for a suitable person. We are selective and closed for the protection of the credit union. We 'head hunt'."

"Volunteers can mean trouble. There are some people you don't want on a board or committee. You must look for suitable people. There's no point in asking the ordinary 'Joe Soap' who has been pumping petrol all day. We need talent. The credit union is too big now and has greater responsibility."

"We have to be selective in choosing people to volunteer. We can't take every Tom, Dick and Harry. There's a lot of private business and some people talk."

"We are cautious about who we ask to go on the board. The field officer criticised the profile of the board for being too old."

"We are fussy and particular about who we invite. We are afraid people won't obey the secrecy code. We need to know people first."

As a result of such selective recruitment, the composition of the typical board is not representative of the membership in terms of gender, age, or socio-economics.

As one manager stated:

"We need to question why people are on the board. If we look for professionals then the members are not being represented. We should pay for the expertise we need and bring it in as required. The credit unions are

victims of their own success. They are now only attractive to people who want to be seen and heard. The ethos is being lost."

The under-representation of young people, and to a lesser extent, women, are also concerns of the typical credit union. There was an over-riding sense that young people are simply not interested in doing voluntary work in credit unions:

"Volunteering is a dying concept for young people."

"I feel sad that young people don't come voluntarily."

"We need new blood."

"Young people don't have time although they are interested."

This is hardly surprising considering that the typical credit union does not have a Youth Development Officer and has an unimaginative, haphazard approach to serving the needs of the younger member. Most youth initiatives are based on existing credit union promotions promulgated at national level. These kinds of issues were also raised in research by McCarthy et al (1999).

The typical credit union, does, however, have credit union services on offer within some or all of the local schools in the community, where the school children themselves are often responsible for the collection of savings. Involvement by children in the school credit union rarely translates into involvement in the credit union at an older age, however.

The typical credit union does not take the issue of volunteer succession very seriously either but does recognise that 'something will have to be done in the future' to garner more youth involvement. Such sentiments seem aspirational and also tinged with a sense of hopelessness and despair at how to get *anyone* involved, let alone young people. One chairperson stated:

“To raise our profile and to target new members, we need a more active volunteer base to get youth involved. If we were a football team we would have no underage team. But then, getting volunteers is a problem nationwide.”

Interviewees had little to say about women’s involvement in the typical credit union. This may be because the majority of interviewees were men. One female chairperson was of the opinion that it is more difficult for women to progress in a credit union setting than it is for men. In her experience:

“The women here come up through the ranks while the men go straight for the board.”

There is a sense that women have to prove themselves before being accepted at a more responsible decision-making level.

Another female interviewee pointed out that men are more vocal than women at the AGM and as a result are more likely to go forward for election and to be elected than women. Many of these issues reflect the findings of McKillop et al (2002) who found that women were less likely to advance to the ‘key’ positions of treasurer and chairperson in credit unions.

There is a strong feeling in the typical credit union that too much is expected of volunteers and that this is a turn-off for existing and would-be volunteers. New regulations and legislation are seen as potentially destructive. New requirements from IFSRA, from EU directives and the 1997 Credit Union Act, are placing more responsibilities on all volunteers. These new responsibilities, coupled with a distinct lack of uptake in training and education, are making voluntary life more and more difficult and in turn, are causing boards of directors in particular to rely more fully on the manager for direction. The following comments reflect the attitude of the interviewees:

“Volunteering is becoming more onerous because of new legislation.”

“Obligations are far too much for volunteers, especially the Supervisory Committee, e.g. having to comment on board performance. We are not qualified to do this. It’s difficult to assess board members. It becomes personal. We’re all volunteers – we know them.”

“The scale and size of assets scares the directors. We have to tell fibs to get people on board, otherwise we wouldn’t get them in.”

“Why would anyone want to be a volunteer? With the new Act, the onus on the board is frightening, with a lot of personal penalties. Volunteers have no experience of running a financial institution.”

“It’s getting harder to get volunteers and to keep on top of things. We need more volunteers. The ILCU and IFSRA are making more demands. People think we are getting paid and can’t believe we are voluntary.”

“The level of responsibility will destroy volunteerism.”

One manager stated that in order to encourage people to get involved and to stay, the staff

“a. do the donkey work for the volunteers and b. give the volunteers an escape route – ask them to stay for one year and to see how they get on.”

8.5 Involvement of members in running the organisation, through other volunteer activities

As we have seen, the typical credit union provides opportunities for voluntary member input at board level and committee level. Some credit unions make other volunteer activities available, primarily through teller work. The level of input into teller activities has, however, decreased sharply over the past number of years for the following reasons:

1. the office employees are hostile towards having volunteer staff in the office as volunteers must often be 'shadowed' for training or must be carefully watched to ensure that no errors are made. This is deemed to be time consuming.
2. the manager feels that voluntary office staff detract from the professional image of the credit union.

As one chairperson stated:

"The manager has strong negative feelings about volunteer tellers."

Another comments:

"The staff members work well together. If we brought in volunteers to the office there would be war in the camp. The volunteer tellers would upset the status quo of the staff."

The distinct lack of voluntary tellers leaves the credit union at a disadvantage to the extent that this function was, in the past, a fruitful source of experienced volunteers when vacancies arose at committee and board level. Many volunteers in the past 'graduated' from voluntary teller service to a committee and then to the board. This ensured that board and committee members were familiar with the operations of the credit union before being placed in a decision-making position. This practice has now ceased. As one chairperson commented:

"If you wanted to be a volunteer in the past you did teller duty first to prove yourself. You can't do this now as teller standards had to go up."

There are few other opportunities for voluntary involvement, unless the credit union seeks volunteer members to run credit union 'branches' in local schools. However, credit union staff tend to carry out this task more so than volunteers.

8.6 Involvement of members in democratic decision-making, through AGMS and elections

The AGM in the typical credit union is very poorly attended, unless there is a particular difficulty in the credit union at the time which is being considered by the meeting. On average, about 2% of the membership attends the AGM. This finding is largely similar to that of McKillop et al (2002) and Goth (2004). In this research, the poor attendance is attributed to a general lack of interest and time on the part of the general membership. It is felt that once the members can access the services of the credit union, particularly loans, then they do not concern themselves with the running of the credit union (a reflection of the ‘free-rider’ issue). The venue in which the meeting is held is very accessible in terms of location, parking and disabled access. A bus or taxi service is provided free of charge for members who have difficulty in travelling to the meeting. Therefore an inaccessible venue is not a cause of poor attendance.

One Supervisory Committee member proffered another possible reason why members don’t attend AGM:

“Members don’t go to AGM because they are afraid they will be landed with a ‘job’, especially if they are known to be involved with other voluntary groups. This is why there is never a big turnout at AGM.”

Very little contribution is made by the members to the discussion at the AGM. Those who do contribute are seen as the ‘old reliables’ and are generally ex-board members. As one manager cynically pointed out:

“At AGM, normally ex-directors ask the ‘right’ questions just so they can be named in the report of the meeting the following year, or simply just to be heard.”

Another said:

“It’s always the same people who contribute at AGM.”

Overall, the questions that are asked are viewed as useful and are openly welcomed by the board. When the board is unable to give a satisfactory response to a question, the manager is asked to address the meeting with the answers.

8.7 Taking part in the social life of the co-operative, through open days, tours, product/service sampling

This category of participation is highlighted by Birchall (1999). The typical credit unions claims to hold social gatherings for the members extremely rarely, if ever. When it does hold a social gathering, it is confined to activities for younger members, such as the schools quiz. This is an initiative that is organised at national level by the ILCU and in which credit unions encourage local schools to participate. It requires little effort on behalf of individual credit unions.

The occasional open day is held also, when new premises have been built, to allow the members to inspect the new offices. The typical credit union also marks international credit union day by offering refreshments to members who call to the office on that day. This is not advertised in advance.

8.8 Provision of member information, through newsletters, reports, and websites

The typical credit union provides a limited range of information to its members, as highlighted by McCarthy et al (2001). Most information provision is by means of leaflets and promotional literature. Most literature relates to the services on offer and the opening hours of the credit union. No information is provided regarding the ethos of credit unions, or the rights and responsibilities of members of a credit union. Some of the literature is standard literature supplied by the ILCU. The remaining literature is designed specifically for the individual credit union. The literature is available to members who call into the office. Occasionally, literature on a new loan product or savings service will be posted out to all members. This is

rare, however, given the size of the membership in the typical credit union and the associated expense of sending out a mail shot.

Newsletters are not provided to the members because they are seen as involving too much effort with a questionable return. Few if any people in the typical credit union are willing to take on the responsibility of compiling a newsletter on a regular basis. Various leaflets and brochures are available, giving details of various services. Most of these are generic leaflets produced by the Irish League of Credit Unions for all credit unions and give no information specific to the individual credit union. They are colourful and well-designed and come at low cost to the credit union.

The typical credit union also produces a printed annual report of its activities for the members. Usually, about 1,000 copies are printed for distribution at AGM and to be left on the counter for members to pick up. There are not sufficient copies for all members but it was stated that few members are interested in receiving a copy. Judging by the small extent to which members take a copy from the counter, this statement is probably true. An examination of the annual report reveals a lifeless, uninspiring and unimaginative document containing 7-8 pages of financial statements and 5-6 pages of board and committee reports, together with a handful of photographs of events throughout the year.

As one chairman remarked:

“There’s not a lot in the annual report. There’s a lot of tradition in how it’s done. The cost is an issue too.”

In the typical credit union, the writing of annual report is viewed as a tiresome chore that must be fulfilled each year and the report is viewed as having questionable value. Normally the manager writes the report with little or no help from the board or committee members. As one chairperson openly stated:

“The manager writes the annual report and digs a bit of help out of each committee.”

It is seen as a document that is seldom read and probably not understood by the vast majority of members, particularly its financial elements. Given the poor effort that was invested in compiling the document, this is hardly surprising. Hyndman et al (2004) consider this issue in some depth. They assert that members must rely on the annual report to access information. However, they found that the views of credit union ‘managers’⁹⁹ and ‘regulators’¹⁰⁰ were vastly different with regard to such reports. Managers felt its importance is minimal because members are not interested in receiving and reading the annual report. They felt that members were only interested in the ‘bottom line’. As a result, far more attention was paid to the annual return to be submitted to the Registrar of Credit Unions than the annual report for the members. Hyndman et al (2004:275) found that despite the managers’ views of the relative importance of the financial statements, many credit unions provide inadequate and incomplete financial information in their annual reports to enable members to make ‘*appropriate judgements and decisions*’. The regulators, on the other hand, viewed the annual report as an effective, direct and important way of communicating with members and while emphasising financial matters, saw a role for the report in giving details about the corporate governance of the credit union and how well it was run in terms of its overall purpose.

None of the interviewees in this research had suggestions for improving the document, but planned on continuing to produce the report in the same manner for the foreseeable future. This is not dissimilar to the finding of Hyndman et al (2004) where few could make suggestions for improving the annual report and none could give significant details about how any suggestions could be implemented.

The typical credit union has its own website providing information to members, although this is not an interactive site permitting members to access their accounts. It also has ‘Info TV’ in the credit union offices. This is a television showing various

⁹⁹ Defined as senior representatives of credit unions

¹⁰⁰ Defined as the Regulators and senior officials within credit union trade associations

advertisements for the credit union while the members wait to be served. This is seen more as a promotional tool than an educational tool and is used to that effect.

8.9 Involvement of members in strategic development of the co-operative, through think-tanks, member forums, advisory councils and Consultation with members, through surveys and suggestion boxes

These two issues are also taken together because in the typical credit union, there is little or no formal or informal member consultation and no involvement of members in strategic development through think-tanks, member forums and advisory councils. Apart from the AGM, where we have seen that member involvement is extremely poor, there is virtually no two-way communication with members and few attempts to garner members' views on any issues. Member surveys are unheard of in the typical credit union. The board and manager genuinely try to do what they think is the best for the members but do not attempt to find out what the members' needs are.

Training or educational sessions in financial management, credit union ethos, and so on, are not held by the typical credit union. As one chairperson put it:

“Training is costly. We don't have the resources to educate the membership.”

The typical credit union does, however, have a suggestion box, where members can post their views. This suggestion box is in full view of all members in the office, making it an obvious option for members who wish to air their views. However, because it is in such a public place, it is not always easy for a member to make their views known anonymously. The quality and usefulness of suggestions placed in the suggestion box was questioned by the interviewees, although nobody in the typical credit union was quite sure whose responsibility it was to open the suggestion box or who considered member suggestions, or if they were considered at all. The opinion of suggestion boxes was negative overall.

There are no other formal channels for the members' voice to be heard in the typical credit union. The main informal channel is through the staff members in the credit union when members are transacting business, or in meeting a volunteer on the street, but there is no established means by which this feedback can make its way back to the manager, board or committees.

8.10 Overall attitude towards volunteer member participation

Over the course of the research into the ten credit unions, a large number of opinions were expressed with regard to volunteerism and member participation in general in credit unions. These ranged from very negative to very positive and are worthy of inclusion here in order to appreciate further the views of credit union activists on this issue.

Some of the more negative comments, even from volunteers themselves, related to the fact that without their input, the credit union would still function quite well, and maybe even better, because the need for voluntary decision-making slowed down the operations of the credit union. There was also a feeling that the members were not even aware of the fact that people gave of their time voluntarily in the credit union.

Examples of comments include, from one chairperson:

“Not having volunteers would make little difference to the day to day running of the credit union. We would still provide a service.”

And another:

“At times I wonder where volunteers come in, in the scheme of credit union operations.”

A manager remarked:

“If there was no board there’d be a lot less hassle, but hassle keeps us on our toes.”

And another:

“I am disillusioned with the board as I cannot sit around waiting for the board to make decisions. The office still has to open the following day. We have all the machinery we need – we don’t need volunteers. An extra staff member would be better than volunteers.”

Other comments included:

“Members don’t care about voluntary participation. They’re not aware of it.”

“Doing voluntary work is like doing purgatory on earth.”

And the future of voluntary input in credit unions was also questioned as follows:

“Volunteerism is fading considerably. We are asking the same small core to do more and more. I have heard suggestions that credit unions will not have any volunteers eventually. It will come to paying people eventually.”

This was a commonly expressed opinion. The feeling that volunteers would eventually have to be remunerated financially was not so much a fear as an acceptance – as if credit union personnel had already accepted as inevitable the move away from volunteerism and towards ‘professionalisation’.

Many positive comments were also passed, showing that volunteerism is essential to credit unions and gives them a competitive advantage over other institutions:

“Without volunteers we would head towards being another stereotypical bank. There is a vast array of skills and ideas in a credit union. Its impact is one of its benefits.”

“I’m dumbfounded by people’s commitment.”

“It’s a great experience being a volunteer. Experts coming on the board are great and help enormously.”

“Volunteers are cogs in a wheel.”

“Volunteerism gives credit unions a competitive advantage, especially in a small community. Without it we would lose our credibility.”

8.11 Conclusions

This chapter has examined member participation in a typical Irish credit union today based on research in ten credit unions. Member participation in the Irish credit unions studied is primarily confined to voluntary activity at board and committee level for a small number of members, and to AGMs for the body of members. The AGMs are proving to be a poor mechanism for involving members. There are few other ways in which members are activated in designing the credit union to meet their own needs. In discussing participation with the interviewees in this research, there appeared to be a very narrow view of what participation in credit unions means. There was a strong sense that the few members who do participate through voluntary activity were there to serve the members ‘single-handedly’ with no input desired or sought from the members as to their needs and ways of meeting these needs. It was felt that the members did not have sufficient time or interest to get involved but there was no realisation or recognition that the existing forms of involvement on offer may not be appropriate to all members.

Furthermore, there was no realisation that there are other ways to involve members and that voluntary input is not the only way members can have a say in the credit

union. It is fair to say that involvement of the members through consultation and other forms of two-way communication was non-existent. And there was no training or education for the members to help them to identify how they might become more involved in having their say. Having said that, the credit unions studied did involve members in a voluntary capacity and it was recognised that, ultimately, the members were in charge. The *potential* for the members to play a key role is what continues to distinguish the Irish credit unions studied from conventional financial institutions. Identifying and understanding this potential, and turning it into meaningful involvement, is a significant challenge facing these credit unions.

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Chapter Nine

Discussion and conclusions

9.1 Introduction

This chapter discusses and analyses the findings of the research into organisational effectiveness and member participation and presents the overall conclusions of the research. The chapter is divided into a number of sections as follows:

- Organisational effectiveness: An analysis of the definition and measurement of OE, including a discussion of the methodological issues relating to OE
- Member participation: An examination of member participation in Irish credit unions and its appropriateness to the needs of the members
- The relationship between OE and member participation: An exploration of how member participation differs between effective and less effective credit unions and a discussion of how credit unions might become more effective. This will enable the relationship between member participation in credit unions and their organisational effectiveness to be explored.

These three sections correspond approximately to the research question and sub-questions detailed in section 1.2. On completion of this discussion, a final section of the chapter considers the overall conclusions that can be drawn from the research.

9.2 Organisational effectiveness (including a discussion of methodological issues raised)

A detailed examination of the literature surrounding OE showed that:

- a. a multi-dimensional approach must be taken to measuring OE (for example, Quinn & Rohrbaugh, 1981 & 1983, Ostroff 1993)
- b. a combination of financial and non-financial measures should be used (for example, Argyris 1964, Evan 1976, Kaplan & Norton 1996)
- c. those directly affected by the organisation must be consulted by the researcher (for example, Campbell 1976, Cockerill & Pickering 1984 in Hind (1999))

The approach taken to defining and measuring OE followed the main recommendations of the literature. The criteria drawn up, by asking key stakeholders in credit unions for their views on what constitutes OE in credit unions, presented a multidimensional view of OE and combined both financial and non-financial measures. The criteria were as follows:

- Services
- Staff
- Growth
- Premises
- Communication
- Training and education
- Planning, management and leadership
- Relationships between personnel
- Community
- Perceived 'overall performance' of the organisation
- Values and philosophy
- Members' views
- Humanity of credit union
- Image
- Financial

Key stakeholders were then asked to measure OE in their credit unions. However, as outlined in section 5.4.1.2, a number of difficulties were experienced in the quantitative measurement of OE in credit unions. It was concluded in section 5.9

that there was a difference between the way in which credit unions ranked themselves regarding OE and their reputation for being effective organisations. It was also concluded that credit unions are not fully attuned to their own degree of effectiveness or ineffectiveness. These conclusions are significant conclusions of this research with regard to OE, and may have methodological implications.

9.2.1 Why did credit unions rank themselves the way they did?

As explained in section 5.4.1.2, it became clear to the author, using a reputational approach [Forbes (1998)], that a number of respondents may have, on average, over-ranked their credit union while others may have under-ranked their credit union in terms of effectiveness.

9.2.1.1 Possible explanations

The precise reason for these results is not entirely clear. Given the overall high rankings of the credit unions (mean responses across all respondents were not lower than 5.15 out of a maximum of 7), some clues are, perhaps, offered by the theoretical literature around ‘response acquiescence’. According to Schuman & Presser (1981:203), response acquiescence is

“a presumed tendency for respondents to agree with attitude statements presented to them”.

In the range of literature reviewed by Schuman & Presser, response acquiescence was found to be associated with personality traits, lower levels of education of the respondents (although it was also seen to be a continuing force among those with third level education), social class, and the race of the respondent. As the questionnaire instrument used for the purposes of this thesis did not attempt to measure any of these variables, it is impossible to tell to what extent these factors played a role in the eventual rankings.

However, if response acquiescence explains even in part why reputationally less effective credit unions may have ranked themselves highly, it does not explain why some reputationally more effective credit unions ranked themselves more modestly

than they may have deserved. Insights into this phenomenon in co-operatives are presented by Rothschild & Whitt (1986), who state that people in co-operatives are likely to have extremely high expectations of their work in a co-operative, to have high, near perfectionist standards and thus are often less satisfied with their work in the organisation. This is explained by their strong sense of values and their self-selection for participation in the co-operative. In their survey of co-operatives, they found that only 8% of respondents felt satisfied that the operations of their co-operative organisation go smoothly.

An alternative view is offered by Herman & Renz (1998:34) who found that OE is unlikely to vary substantially among organisations where OE is

“taken to mean those organizational behaviours, characteristics and outcomes that are important to many stakeholders and [which are] judged in somewhat similar ways by them”.

The same may hold true in the credit unions studied where the OE indicators were defined by similar stakeholders as those who gave judgements of OE.

9.2.1.2 Other possible explanations

Herman & Renz (1998:26) distinguish between two approaches to OE. The first comprises the indicators of OE as determined by stakeholders in the organisation, the multiple constituency model, not dissimilar to that used in this research. The second is the social constructionist perspective, considering OE to be the reality created by the knowledge, beliefs and actions of people. The creation of this reality in turn leads to collective agreement or disagreement about the nature of that reality. In their research around OE in non-profit organisations (NPOs) they state:

“It is sometimes suggested that NPO effectiveness assessment may be described by the parable of the blind men and the elephant. In the well-known parable, one man touches the elephant’s tail and so describes the elephant as like a rope; another touches the back and says the animal is something big and bristly, and so on. The analogy implies that effectiveness

is a real thing that may be perceived in partial and thus different ways. The social constructionist view, however, says there is no elephant at all. Rather, different people look for different things and what they 'see' is determined by a social process.

The social constructionist view treats organizational effectiveness as stakeholder judgements formed in an ongoing process of sense making and implicit negotiation... A related view is the 'garbage can' model of organizations (Cohen, March and Olsen, 1972), which agrees that judgements of effectiveness are an outcome of a stream of interactions and impressions that may change frequently. Also stakeholders may not be completely aware of their criteria or the information they use to reach judgements on those criteria."

They continue by saying:

"Conceivably, however, the social processes resulting in judgements of NPO effectiveness could lead various constituencies to develop the same criteria and to evaluate information relevant to those criteria in the same way. If so, research would find that stakeholders reach the same judgements about effectiveness..." (p.27)

The view of Herman and Renz may contribute to an understanding of why the credit unions in this research ranked themselves quite closely together.

It is also worth looking at variance in rankings across stakeholder type to attempt to shed further light on the issues. A one-way analysis of variance was carried out to compare the three sets of respondents (Supervisors, Chairpersons and Managers) on their evaluation of OE in their credit unions. There was no statistically significant difference between the three sets of respondents at the $p \leq 0.05$ level of significance although there was a *trend* towards significance ($p=0.06$) which showed that the average response of managers (5.6322) on the scale of 1-7 was less generous than that of the Supervisory Committees (5.7687), which was less generous than that of

the Chairpersons (5.9993). This indicates that managers are probably more inclined to score the credit union lower than the Supervisory Committee and Chairperson, while the Chairperson is probably more inclined to score the credit union higher. The Supervisory Committee is probably more inclined to take a 'middle ground' between the manager and Chairperson, which is likely to confirm the earlier prediction (see section 5.4.1) that Supervisory Committees would be more 'objective' in their responses.

Herman & Renz (1998) found that different stakeholders tend to differ markedly in their assessment of OE. This research does not strongly support their finding as the differences between the rankings were not statistically significant.

Whatever the explanation may be, it can be concluded that credit unions are not well attuned to how effective they are as organisations. There is no clear sense in the credit unions studied of what the organisation should be doing and for whom.

9.2.2 Methodological implications for the measurement of OE

It can be concluded from the data that research into the definition and measurement of OE in credit unions is far from complete. A number of methodological questions are raised by the results of the research which are now considered.

9.2.2.1 First methodological question

Firstly, are the subjective indicators of OE, as defined by the stakeholders themselves, in actual fact the most accurate indicators of OE? And a related question then is, are the stakeholders the right people to assess the OE of their own organisation?

The vast majority of the OE literature concludes that OE must be defined by the key stakeholders of the organisation. Herman & Renz (1997) concluded that there was no relationship between judgements of effectiveness by stakeholders and objective indicators of effectiveness (defined by the use of 'correct procedures'), but in a 1998 study concluded that such a relationship could be established when they

honed in on the most effective and least effective organisations¹⁰¹. Their findings for the ‘middling’ organisations were extremely muddy and no definitive conclusions could be reached.

As we have seen, the indicators that were drawn up from consulting with credit union stakeholders are largely similar to those drawn up by Hautaluoma et al (1993) by using a similar methodology. If we assume that the stakeholders do indeed provide an accurate definition of the indicators, is it possible that they do not then measure their own organisations accurately on these indicators? It may well be that subjective judgements of effectiveness are so subjective as to be worthless, leading back to the ‘parable of the blind men’, relayed earlier, where one person’s judgement differs to that of another depending on their perspective and influences. However, given that there was no significant variance between the three sets of stakeholders’ judgements in this research, it is unlikely that their judgements are entirely worthless. Instead, a researcher would need to delve much deeper into the factors which could conceivably influence the stakeholders’ judgements and factor these in to a measure of OE. Potential factors would need to be identified and methods to control for such factors devised. Such factors may well include a measure of the expectations and the values of people in the organisation. As we have seen, it may well be that an organisation where the people involved have high expectations will be ranked more harshly by them in terms of its effectiveness. Also, if the ranker has strong values, for example relating to member service, and less strong values relating to growth, this will surely influence any judgement he or she will make of the organisation’s effectiveness in each of these two indicators. Other factors might include the length of time a person has been involved with the organisation, the extent to which they identify with the organisation, the image they wish to portray of the organisation, and so on. Their view of what credit unions are or should be may also be an influencing factor. For example, in examining the credit union that ranked itself the highest, it was noticeable that it was a quite small, conservative credit union which has probably changed very little over the years. In many respects, it resembled a credit union that was steeped in its original values

¹⁰¹ The reader will recall that the least effective and most effective credit unions could not be reliably

from late 1950s and early 1960s Ireland, when issues such as ‘convenience’, ‘fast growth’ and ‘consumerism’ were maybe not as important. The rankers in this credit union quite clearly felt that it was doing a good job on all fronts, according to their values. When judged against today’s values, this credit union does not seem to be performing so well.

There may well be different ‘types’ of credit union, in terms of the values they hold. For example, Berthoud and Hinton (1989) distinguish between ‘idealistic’ and ‘instrumental’ type credit unions, where the idealistic do not pursue growth, but instead try to remain small, grassroots type credit unions and the instrumental aim to be large, market-led organisations. This research did not distinguish or control for different types of credit unions in this regard. It may well be that the OE criteria that would be selected would differ between different types of credit unions. We have already seen that the groups of credit union activists used to define the OE criteria were self-selecting. Although there was a clear balance between the group members in terms of gender, age, common bond type, position held within the credit union, and so on, there may have been subtle differences between the *types* of credit unions they represented and which might have resulted in balance not being achieved.

It is also possible that a full set of indicators has not been identified in the research. It may well be that there are other indicators of OE. For example, the impact of the credit union on its community did not emerge as an indicator and is arguably one of the most important ways in which a credit union could examine how well it performs. We could also speculate that had ‘member participation’ been included in the assessment of OE, the results may have been significantly different. This, of course, would depend on what the assessor understood by member participation, and had they taken the narrow definition of ‘board and committee membership’, it is unlikely to have made a substantial difference to the end results.

selected in this study. Credit unions in the so-called ‘murky middle’ were selected for study.

9.2.2.2 Second methodological question

Overall, this discussion in some way seeks to address the second main methodological question raised by this research into OE, which is as follows: is self-ranking by key stakeholders the most accurate way to measure OE? And a follow-up question becomes: Who should rank the credit unions? We have seen that self-ranking may not be the most accurate way to measure OE unless other factors are taken into consideration. Only more in-depth research will identify these factors although this may be akin to searching in Pandora's Box: one may never accurately identify the full set of factors which influence the ranking of the organisation by its stakeholders as these may be limited and may change from individual to individual and from organisation to organisation. One alternative is to consider that someone other than a key stakeholder in the organisation would be the one to evaluate its effectiveness. This may require a far more in-depth examination of the OE of individual organisations by the researcher than was carried out for the purposes of this research. So rather than relying on what might be perceived to be the subjective judgements of the stakeholders, the researcher submerges him/herself in the organisation's 'world' in an attempt to evaluate its effectiveness. The researcher's judgement of OE of course may still remain as a subjective judgement, based on the biases and influences of the researcher. The same may hold true in employing an outside professional, or in the case of this research, an individual with many years' experience of the credit unions in question. This individual's rankings largely agreed with the rankings of the Irish League of Credit Unions (which are listed according to asset size¹⁰²). He is himself a long-term supporter of the Irish League of Credit Unions and was involved in its structures for many years. This might suggest that his rankings were coloured by his ILCU-oriented view of credit unions in general. And, one could ask if the individual was influenced by the size of the credit unions in making his judgement? Or, indeed, if size is actually an indicator of OE? Herman & Renz (1998) found that size was significantly related to subjective and objective judgements of OE. Another alternative might be to ask the main stakeholder, that is, the member, to judge the effectiveness of the organisation. The member will judge the organisation on what is important to him/her and the extent

¹⁰² These are not shown as they may lead to an identification of the credit unions involved.

to which his/her needs are being met. This, one could argue, is what will matter most in any measure of OE in a credit union and that any other measures or definitions of OE are worthless if the members are not satisfied.

Some may argue that no measure of OE can be entirely accurate unless it is based on hard facts and figures. Even with these, some accountants contend that at least some of the figures presented in the financial accounts of organisations can be so fictitious as to be meaningless, such as figures for goodwill, depreciated items, and so on.

9.2.2.3 Third methodological question

The third main methodological question raised by this research into OE is, is it wise to measure OE without taking all OE indicators into account? In this research, member participation was removed from the equation so that it could be examined separately and hence remove any influence on the credit unions' assessment of their OE. Given the central importance of member participation to co-operative organisations, it could be argued that any measure of co-operative effectiveness which does not include a measure of member participation, is not really a measure of effectiveness at all. As we have seen in previous chapters, member participation is not particularly strong in the credit unions that were examined. Including member participation as an indicator of OE may have resulted in lower mean summative scores for those credit unions where member participation is weaker than others and may have differentiated the credit unions more successfully. It could also be argued, however, that if member participation were included, it might have reduced every credit union's score equally and thus would make no overall difference to the rankings, even though the total scores might have been lower. Of course, this all assumes that the 'unknown factors' that influence the rankings equally impact on the ranking of the member participation indicator of OE.

Given that member participation is such an integral part of the co-operative process and the operations of a co-operative organisation, it is arguable whether a measure of OE which excludes member participation provides an accurate measure of OE at all. Member participation does, after all, permeate every aspect of the operations of

a co-operative. Rothschild & Whitt (1986) contend that the creation and maintenance of organisational democracy (and hence member participation) should be the most central measure of co-operative success. Briscoe et al (1982) contend that the central measure of success goes beyond democracy alone, but explores the effectiveness of the co-operative *process*. Member participation is not simply an adjunct to the organisation form; rather it *defines* the organisational form. Taking this logic, no measure of OE is complete without the inclusion of member participation, the forms it takes and the appropriateness of this participation to members as indicators.

9.2.3 Possible future OE research

This research suggests a number of questions for future OE research:

Firstly, researchers need to consider in more depth who the most appropriate people are to assess OE. Is it the various stakeholders of the organisation, or in the case of co-operatives and credit unions, is it *the most important stakeholder*, that is, *the member*? Alternatively, should the organisation be assessed by an outsider who has no stake in the organisation, such as the researcher?

Secondly, in deciding who should assess the organisation, consideration must be given to subjective influences on the assessor. What might these influences be and how can they be controlled or taken into account? How might an assessment of the organisation affect the assessor? Does this affect the way the assessment is made?

Thirdly, will organisations with different values and influences have different views of OE? How can these different values and influences be identified?

Fourthly, Knoke and Wood (1981) and Torres (1987) stated that the type of organisation being studied may affect the conclusions reached regarding OE. It was already seen here that there are most probably different types of credit unions, with different values and ideals. Future credit union (or other organisational) research could work on identifying different types of credit unions and examining if different

OE criteria emerge for different types of credit union. It could also test if different types of credit union assess OE differently on the same criteria.

9.3 Member participation

The review of the literature regarding member participation, together with the examination of practice in co-operatives and credit unions, first enabled the development of a typology of member participation. Seven main categories of participation were defined in this research, drawing on these various strands, as follows:

- Involvement of members in democratic decision-making, through AGMs and elections
- Involvement of members in directing the co-operative, through boards, committees
- Involvement of members in strategic development of the co-operative, through think-tanks, member forums, advisory councils
- Involvement of members in running the organisation, through other volunteer activities
- Consultation with members, through member meetings, surveys, suggestions boxes
- Provision of member information, through newsletters, reports, and websites
- Taking part in the social life of the co-operative, through open days, tours, product/service sampling

This typology and some associated indicators were used to examine member participation in Irish credit unions.

A qualitative examination of member participation was deemed the most appropriate, considering that member participation is an on-going process giving members the means to have a say in their organisation.

9.3.1 Member participation in Irish credit unions – current state

An examination of member participation in two detailed case studies (Chapter Six) and a broader sample of ten cases (Chapter Eight) revealed that opportunities for member participation in these credit unions are limited. To be a ‘participating member’ in an Irish credit union generally means that the member has volunteered to serve on the board of directors or on a committee. Member participation seems to be ‘all or nothing’: a member either participates at board and/or committee level, or has little or no say in the operations of the credit union at all. Not surprisingly, this form of participation appears to be on the decline and therefore the credit unions are becoming less and less member led, and far more management led. The members of the Irish credit unions studied, by their non-participation, appear not to see any value in participating in their credit union because there is no tangible return in doing so. In fact, there is almost hostility towards volunteers who are not on the board or on a committee. There are also clear gender, age and socio-economic imbalances in terms of elected representatives.

In the Irish credit unions studied, member views are rarely sought, and where they are, are rarely, if ever, acted upon. Rather than facilitating members to get involved through training and other ‘grooming’ and enabling strategies, the Irish credit unions studied ‘headhunt’ those they perceive to be the ‘best’ candidates. It is little wonder, then, that the pickings are viewed as small. There are little or no active recruitment strategies in the Irish credit unions studied and therefore very little turnover in volunteers. There are barely enough candidates for elections and never any opposition. However, existing board and committee members in the Irish credit unions studied feel less and less able to carry out their duties. This is because they are extremely reluctant to undergo training or to take educational courses of any kind and are beginning to feel overwhelmed with the task of running the credit union. Instead of drawing more fully on its membership resource, as well as taking educational and training courses, many volunteers in the Irish credit unions studied appear to be becoming more insular in their approach to their credit union work, relying on knowledge gained over the years. Education and training are viewed as too time consuming and expensive to be worth the effort.

Furthermore, the Irish credit unions studied have had a haphazard approach to involving young people and have all but given up on the hope that any young person could be interested in the credit union. Educational programs for young people on credit unions are not profuse and have been introduced on a haphazard basis only in some schools.

There is an attitude that members are not interested in their credit union apart from dividend rates, loan interest rates and loan accessibility. This is hardly surprising considering that the members are given so few opportunities to have their views heard on any issues or to have any influence over how the credit union is run and what kinds of services it offers. Also, considering that there are no real attempts to educate members or to consult them and involve them in the strategic development of the credit union, it is little wonder that the only issues that are of interest to them are those which directly affect them, such as dividend and loan interest rates. While suggestion boxes normally exist, they are not taken seriously.

From the interviews, there was no real sense that the members are owners of the credit union, except perhaps, at AGM where member views are openly welcomed. AGM was seen as the only means of engaging the members in the credit union as owners. As a result, AGMs are held in accessible locations with transport provided for members where necessary. However, attendance is low in the Irish credit unions studied and the level of contribution is poor.

There are mixed attitudes to the value of member participation and particularly, volunteerism, possibly indicating a general misunderstanding of what member participation actually is and its central value to credit unions. There is no sense in the Irish credit unions studied that the users are activated and design their credit union for use.

9.3.2 Signs of degeneration in member participation

The picture that has been painted is a disheartening one for credit unions. A strong case can be made to show that the evidence collected supports a conclusion that member participation in the credit unions studied is degenerating. Much of the

evidence collected demonstrates that the credit unions studied are degenerating according to Meister's (1984) degeneration thesis, being in the 3rd phase or maybe even moving towards the 4th phase of degeneration (explained in section 4.10). McCarthy (1996), in a study of change and development in credit union management and structure, showed how one credit union within the Chapter being considered, began in the 'conquest' stage in the early 1960s, moved to the 'economic consolidation' phase in the 1970s and had moved to the 'co-existence' stage by the 1980s and 1990s. It would seem that all credit unions in this study had moved at least to Phase 3, co-existence, where the board was the representative body of the members and there was very little input from the general membership. Some interviewees speculated on what they perceived to be the superior knowledge of the salaried managers and the need for greater expertise. Some thought this expertise could be brought in via the board while others felt it should be brought in via the staff. If this expertise were to be brought to the credit union via the staff, it is possible that credit unions would move closely to the 'power of administrators' phase, where the board, and hence the members, would effectively no longer be in control of the organisation. Rather than activating the members, the members would be 'de-activated', and the credit union's services would be designed in the best interests of management, rather than members, just as in any other conventional financial institution.

Parnell (1999:4-5) attributes degeneration in a co-operative, such as a credit union, to the fact that as it has grown and prospered, it has at some point ceased to be based on 'true co-operation'. He states that co-operation is based on:

"give and take - but it is not all give or all take. By agreeing to contribute in some way to the benefit of the group, the individual shares in the joint benefits that accrue to the group. Provided that those leading a co-operative never forget this simple fact, the first foundation for building success is in place. Sadly, many co-operatives seem to degenerate as they mature and then there is need to reinvent co-operation, if the co-operative concerned is to emerge as successful once again".

The credit unions studied do not appear to promote the concept of give and take among their members. There was a sense from the interviews that the members are viewed only as being interested in taking rather than giving. It was clearly stated by the interviewees in CCU (Chapter Six) that the members are only interested in what the dividend rate on their savings will be, if they can get a loan, when they can get a loan and how much it will cost them. However, it was also clear that all of the credit unions studied do little to encourage their members to give through participation, in the form of consultation, seeking feedback or providing training and education, or through leaflets, brochures and the annual report or indeed, through voluntary activity. And indeed, there is little to encourage these forms of participation, considering that the tangible benefits of doing so are not obvious.

The general members are but one element in degeneration. The board and management also have a key role to play. Parnell (1999:5) details the process of degeneration in co-operatives from the viewpoint of board and management as follows:

“When co-operatives commence operations they are usually driven by a great deal of enthusiasm and much of the work is done by committed volunteers. Successful ventures will soon reach a point when they need to call on the services of professional managers, and in order to achieve economies of scale, the co-operative will need to grow. The results of these decisions will usually be that the members become less involved in the operation and management of their co-operative, and their sense of ownership is lost.”

In addition, it could be argued that many of the initial problems and issues which motivated the early pioneers in the co-operative have largely been addressed, leaving less motivation for members to participate.

Watkins (1986:67) also writes of such issues, as discussed in section 4.6.1. Much of the evidence in this research points to a similar process for the credit unions studied. These credit unions have all grown substantially since they were founded and consider themselves to be successful because of this growth. Understandably, all of the credit unions have taken on professional managers and staff because of their success and growth and because of their wish for continued success and growth. However, it is clear from the credit unions studied that they are becoming more and more management-led rather than member-led. This is all too clear from the recent case of a local credit union board which relied on its manager to direct the decision-making around the introduction of a new computer system. When the system failed to operate as originally envisaged, the board began to realise that they knew very little about the system, had no IT expertise and blamed the manager for the decision to implement the system and for the implementation errors. When the manager was eventually relieved of her duties, it became clear that the board had relied too much on her expertise. Almost half of the board resigned and the remaining board members have since been attempting to come to terms both with their over-reliance on the manager, the internal conflicts this created and also with the system's difficulties. Meanwhile, operations must continue on a daily basis and members must continue to be served.

Over time, the confidence of boards to make decisions appears to be decreasing and the boards are looking to management for knowledge and guidance in making decisions. Is this because the quality of board members is decreasing because of a more limited 'field of selection'? Or because the original core business has developed to an extent that it requires increasingly complex skills? Whatever the reason, the result is that the members are becoming less involved in the co-operative and many, as highlighted in section 6.8, are now beginning to question the purpose and value of voluntary input. As Parnell (1999:6) puts it, these credit unions are becoming "*victims of their own success*". They have in many ways abdicated

“the overall direction of their co-operative to their professional managers...The effective direction and control of many co-operatives has slipped away from the membership into the hands of professionals” (Parnell, 1999:5).

Webb & Webb (1921) and Meister (1984) are of the view that degeneration in democratic type organisations may well be inevitable while Parnell (1999:5) asserts that *“these are problems that can be overcome if the co-operative is well directed and managed.”* We have already seen in section 4.5, examples of co-operatives that have overcome many of these kinds of difficulties. Oxford, Swindon and Gloucester Co-operative, with 69,000 members, involves its members in a variety of ways to enable them to influence the overall direction of the co-operative. It sees member participation as being critical to its success. The Group Health Co-operative, with half a million service users has also found ways to inspire and involve its members in shaping its services to meet their particular needs.

9.3.3 Wider societal influences on member participation

The society in which the organisation is operating must also, of course, be taken into consideration. McCarthy (1996) explains that credit unions were originally established in Ireland in the 1950s, at a time when socio-economic conditions were extremely poor, when unemployment and emigration were high, social welfare benefits were low, and when access to credit and savings facilities was minimal. This was a time when there was a dire need for an alternative to conventional financial institutions and when people set about meeting their own financial needs through the formation of credit unions which they took great pride in owning and controlling. Credit unions had legions of volunteers (in proportion to the number of members) at that time, when the operational and strategic operations were carried out entirely by volunteer members. As the credit unions began to succeed and grow, the need for salaried staff became apparent. Over time, the number of volunteers has declined, in part but not entirely because of the growing role paid by salaried staff. There are other reasons, at least one of which may be linked to there being a more sophisticated and affluent society.

The need for credit unions in modern Irish society, as they were originally designed, is certainly not nearly as great as it was in the 1950s. It could be argued that credit unions set new standards in financial services by focussing on the 'small' saver and borrower, emphasising transparency and the personal touch. Trends in conventional banking circles have certainly shown a move towards meeting the needs of the 'small time' customer and towards becoming more customer-led. Competition between credit unions and conventional financial institutions is now far more intense than ever before and credit unions seem to be trying to compete directly rather than identifying their competitive advantages and differentiating themselves in the financial services market (McCarthy et al, 2000). As Parnell (1999) asserts, they are victims of their own success and now need to reinvent themselves in such a way as to find new and better ways of meeting the needs of the members, combating the difficulties of being 'victims' and differentiating themselves. One way of doing this might be to *reinvent member participation*. Another way may be to identify the real needs of members now in terms of how their credit union can work for them and for their community: perhaps in terms of providing affordable housing finance, providing finance for businesses that would bring new services to the area, and so on. Without consulting the members, however, credit unions will not know what their real needs are. With consultation, member participation will become meaningful and motivating for the members.

As already mentioned, it is difficult to understand member participation (or the lack of it) without a view of the wider society in which a credit union operates. One could argue that the relative affluence of Irish society in the past 10 years or so, and the shift in focus of the conventional financial institutions, have resulted in credit unions being less relevant to the needs of the members. Between 1987 and 1999 Ireland went from being the poorest to the richest nation in the EU. Ireland's GDP in 2002 was the second highest in the EU. Unemployment rates dropped from 16.9% in 1987 to 4.4% in 2004. It might also be useful to note that voter turnout in parliamentary elections in Ireland has dropped significantly. In 1977, 50% of the electorate turned out to vote. This had dropped to 39.3% in 1997. The economic situation and interest in it, are far different now than when

credit unions were founded and the urgency to tackle economic problems is nowhere near as great. However, there is still a growing divide between rich and poor in Ireland (Combat Poverty Agency, 2005). It might be suggested that credit unions have grown with this increasing affluence, to the neglect of the poorer sectors of society. Lending by credit unions in the Republic of Ireland is now less than 57% of assets (ILCU 2004). There is also anecdotal evidence to suggest that moneylending activities are on the rise in Irish communities. Perhaps credit unions are becoming less and less relevant to the needs of the type of member they were originally set up to establish and perhaps this can also explain why members may not have a sense of ownership or, indeed, urgency, strong enough to encourage them to participate. The make-up of the credit union board in this research showed a strong middle-class influence, further suggesting that credit unions may not be fully aware of the needs of lower classes. It came across strongly that boards and other volunteers are self-selecting and that people from lower classes than them are not seen as knowledgeable or skilled enough to participate meaningfully.

Furthermore, research suggests that credit union members today find they do not have sufficient time to devote to participating in credit unions (Byrne et al, 2004) because of the increasing demands and sophistication of employment and leisure time.

9.3.4 Future research into member participation

In examining member participation in credit unions, this thesis has added to the available literature by further expanding the typology of participation in co-operatives and progressing it in terms of developing indicators of participation.

Future research could well adopt this typology and the associated indicators. These might well be further developed and fine-tuned according to findings in credit unions or other types of co-operative.

TCU might also be used by future researchers as a grounded tool for examining member participation (and, indeed, OE) in co-operatives. It will help researchers

and practitioners alike to identify areas of weak and strong practice in the co-operatives they study and to improve their performance.

9.4 The relationship between OE and member participation

In exploring the relationship between OE and member participation in credit unions, it was necessary to examine the differences, if any, between participation in effective and less effective credit unions. While there is no credit union specific literature exploring this relationship, there is literature examining other forms of organisation. The conclusions of such literature are mixed and are discussed more fully in section 2.5. Knoke and Wood (1981) and Torres (1987) found no relationship between member participation and OE in voluntary organisations. There is a greater deal of literature devoted to examining board performance and its influence on OE. For example, Forbes (1998), Jackson and Holland (1998), and Herman and Renz (1999) show positive correlations between board performance and OE. Hautaluoma et al (1993) had similar findings for credit unions.

A hypothesis for this research, stating that

because member participation plays a central role in co-operative organisations, such as credit unions, there is a direct relationship between the organisational effectiveness of credit unions and the participation by its members in its activities

was developed. The hypothesis was developed by drawing on co-operative literature which showed member participation to be of central importance to co-operatives. Briscoe et al (1982), Watkins (1986), Hazen (2002), Co-operatives UK (2004), and Briscoe & Ward (2005) all assert that the effectiveness or performance of a co-operative depends on the participation of its members as service designers and users.

In exploring the relationship, it was also appropriate to explore how credit unions might become more effective and how they might become more participative. This

helps to give some further strategic direction to the Irish credit union movement in terms of OE and member participation.

In order to explore the relationship, two case studies of actual credit unions – CCU and ICU - were carried out. OE and member participation in both credit unions were explored. It was originally intended to examine credit unions at the highest and lowest points on the effectiveness scale. The selection of credit unions to be studied, on this basis, proved to be steeped in difficulties. An alternative methodology was adopted for the selection and eventual study of credit unions, as explained in section 5.3. These two case studies also assisted in identifying possible indicators of member participation.

A theoretical case study of a ‘fully-engaged’ credit union (based on a composite of good practice in co-operatives and credit unions and literature in this regard) was then developed to show how member participation and organisational effectiveness might differ from or be similar to member participation in Irish credit unions and how Irish credit unions might become more effective and more participative.

9.4.1 CCU and ICU versus TCU in terms of OE

TCU is a theoretical example of how a highly effective credit union might behave and be viewed by its members and non-members (based on existing literature and good practice in credit unions and co-operatives in Ireland and internationally). The credit union’s performance excels in each of the 15 OE criteria defined by the research. Chapter Six examined effectiveness in the case studied credit unions, CCU and ICU. Particular differences between practices which affect OE in both CCU and ICU and in TCU naturally arise, given that TCU represents a ‘fully-engaged’ credit union. However, the analysis of these differences helps to show how Irish credit unions might become more effective.

Growth in CCU and ICU is reasonably steady although ICU makes some greater efforts to find new members. The approach taken towards growth is again more proactive within TCU, where potential new members are actively approached and encouraged to become members. Credit unions such as ICU and CCU could do

more to promote a growth in membership by taking a proactive approach to identifying areas of the common bond where potential members can be recruited. The issue of staffing contrasted sharply between CCU and ICU, where CCU's staff were unmotivated and untrained. ICU's staffing situation was more similar to that of TCU, where the staff were content and motivated in their work, and were well-treated by the board. Irish credit unions need to develop their human resource programmes and can draw on each other's good practice. There is an important role for umbrella bodies in this regard.¹⁰³ In terms of services, both ICU and CCU offered a similar range, but ICU was far more active than CCU in terms of supporting the development of more technology-based services than presently exist. CCU's approach to new service development was more circumspect and reactive than ICU's. ICU's practice was far closer to that of TCU in terms of finding opportunities to develop more services. However, TCU was far more inclined to involve the members in generating ideas for new services than either CCU or ICU. This is an important issue for Irish credit unions. As Briscoe et al (1982) contend, the ability of a credit union to meet its members' needs will depend on the extent to which it involves the members in designing services to meet those needs. We have seen that credit unions in Ireland do little, if anything, to involve their members by eliciting their views. Furthermore, the few members who are involved through board or committee membership are often not demographically representative of the members. Irish credit unions need to find ways of involving the members in designing services. Several examples of how this is being done by other co-operatives were given in section 4.5, and throughout Chapter Seven, showing that it is not an impossible task. It will require a change in mindsets of many boards so that they can view member participation as being something broader and more encompassing than board and committee membership. From the research it is clear that the understanding by credit union personnel of what member participation means is severely limited by their experiences within their own credit union.

The premises in both CCU and ICU were of an excellent quality, akin to those of TCU. The difference was that TCU had involved the members in designing their

¹⁰³ The vast majority of inquiries to the Irish League of Credit Unions from the affiliates relate to

premises while CCU and ICU had not. This was a particular issue in ICU, where members often express dissatisfaction at the lack of easy parking near the credit union office. For the future, involving members in the design of premises could easily be achieved by Irish credit unions.

In terms of the indicator of ‘community’, both ICU and CCU do not engage with their respective communities to the same extent as TCU. TCU has involved its members in determining the needs of the community in devising ways of meeting these needs. At best, CCU and ICU give small amounts of funding to sporting and charitable organisations within the community who make funding requests. In essence, the approach of both credit unions to the community is largely reactive. In TCU, the approach to the community is proactive and involves the members. Credit unions such as CCU and ICU could become more involved in their community in a number of ways. These would not have to be particularly complex and could be tailored to the scope of and abilities within the credit union. They could begin by examining what issues or needs affect the local community, such as inadequate childcare or eldercare facilities, high unemployment, lack of youth activities, and try to devise a programme to give assistance. These are issues in which credit union members might be interested in getting involved.

Communication and relationships between personnel in CCU and ICU differed in the sense that there was a greater sense of openness in ICU than in CCU. ICU’s practice in terms of communication and relationships was not dissimilar to the situation in TCU, while practice in CCU contrasted sharply to that of TCU. However, the relationships and communication with *members* in TCU was far superior than those of CCU and ICU. Hoyt (2003) reminds us that communication goes beyond simply asking members what they want or do not want and must involve genuine two-way communication, where the co-operative asks the members for guidance and the members have sufficient amounts of the right information to give that guidance.

human resource problems.

Credit unions such as CCU and ICU could learn from the way in which TCU communicated with the members. For example, a member pack could be distributed to all members on joining, explaining credit unions and credit union membership. New member meetings could also be arranged. Greater care could be taken by credit unions in designing and distributing information. Credit unions could be seen as being more open to receiving feedback from members, which was not always taken seriously in the credit unions studied. They could also try to engender stronger relations with the media and the government in order to publicise and strengthen their co-operative difference.

The approaches taken to training and education in CCU and in ICU contrasted sharply. While ICU was very much open to training and education for all personnel, the attitude in CCU was quite negative. Practice in ICU was closer to that of TCU than practice in CCU. The main difference between practice in ICU and CCU against that of TCU was the attempts made by TCU to educate the members. Neither CCU nor ICU could claim that any great efforts were made to educate their membership. Education of the members is seen as critical in co-operatives [Briscoe et al (1982), Watkins (1986), Hoyt (2003)] and is a clear objective of credit unions, as shown in Table 2.1.

Planning, management and leadership contrasted greatly between CCU and ICU also. CCU was largely dominated by one individual who, in essence, carried out all planning and management and provided leadership to the credit union. In ICU, planning was a function of all personnel, while management and leadership were the main responsibilities of the full board. This is not dissimilar to practice in TCU, except that in TCU, the members had a far greater role to play in planning for the organisation, through think-tanks, advisory councils, member forums, regular surveys, and so on. Members' views on all aspects of the credit union were far more important in TCU than either CCU or ICU. Again, credit unions such as CCU and ICU need to find ways of involving their members more fully in planning for the future of the organisation.

CCU, ICU and TCU all showed humanity towards their members and were sympathetic and helpful to members experiencing financial difficulties. Each credit union had a good image in the eyes of the members and other stakeholders. All three believed in their values and philosophy. TCU, however, tried to 'live' the values and philosophy more openly than the other two. The involvement of members in every aspect of operations was particular evidence of this. ICU also actively recognised its ethical responsibilities through ethical investments where CCU did not.

Overall, ICU appeared to be closer to TCU in its practices than CCU. Qualitatively speaking, ICU appeared to be somewhat more effective as an organisation than CCU, when compared to TCU.

9.4.2 CCU and ICU versus TCU in terms of member participation

TCU was a theoretical example, based on actual co-operatives and credit unions, of how a credit union might behave if it were to take its co-operative characteristics of design for use, mutual aid and activation of the users seriously. Such a credit union would be extremely active rather than passive in its attempts to involve members in everything it does – from the design of services to shaping how these services are delivered. As we have seen, this is in contrast to the behaviour of both CCU and ICU where members, other than the board, tend not to be involved in designing the services and shaping their delivery. In ICU, however, there are some attempts to find out what the members want through member surveys, which have never been conducted by CCU.

TCU plays a key role in the lives of its members, rather than being on the margins of their social and economic activities. Its members have a strong sense of ownership and a real sense that their contribution to the credit union makes a positive difference to the way it is run. There is real dialogue between the credit union and its members in a variety of different ways and genuine attempts are made to feed back to the members on progress or the lack of it. Different levels of participation are offered, some more involving than others, taking the various needs of and demands on members into account. Members are also enabled to become

involved at different levels through the availability of educational and training programmes, if they so wished. This contrasts sharply to practice in both CCU and ICU, although ICU makes greater efforts to involve members in some of its activities. Both CCU and ICU offer a limited range of opportunities to members to get involved, and these are structured around the traditional committee and board structures. No recognition is made of the varying demands on people that may make these forms of participation inappropriate to some members. Little, if any recognition is given by CCU and ICU to the fact that some members are not interested or may not have the wherewithal to participate in these ways.

The three characteristics of co-operatives discussed earlier of mutual aid, design for use and activation of users are in evidence to a small degree in these credit unions. Credit unions have not thought through what these characteristics really mean and how they can be put into operation. Because members are not overly interested in voluntary involvement, credit unions have assumed that members are not interested in being involved at all. Yet we have seen from the examination of best practice that it is not impossible to involve the members, and that there are so many other ways to mobilise members and to ensure that they can influence the direction of the organisation apart from the traditional voluntary input.

Suggestions have been made in section 9.4.1 in terms of what credit unions can do if they wish to become more involving, while taking the differing needs and abilities of members into account. It is clear that there are sharp differences in terms of how a fully-engaged credit union might behave and the credit unions studied here. These credit unions can draw on good practice, with the knowledge that more innovative practice involving members is not as complex or as impossible as many interviewees seemed to think.

9.4.3 Exploring the relationship between organisational effectiveness and member participation – CCU versus ICU

The reader will recall that CCU and ICU were chosen from two points on the OE scale, where CCU had ranked itself higher than ICU. It was hoped that in examining the differences and similarities in organisational effectiveness and

member participation between CCU and ICU that it would be possible to begin to explore the relationship that exists between OE in credit unions and member participation in credit unions.

In looking at the two cases, few differences become apparent between the two credit unions. Both credit unions have similar backgrounds, having been formed at approximately the same time and for similar reasons. One of the main differences between the two credit unions now is their size, where CCU has 7,500 members and ICU has 2,500, explained by the difference in common bonds of the two credit unions. CCU's assets are considerably larger than ICU's while savings in ICU are greater than those in CCU. This too can be explained by the common bond, in that the members of ICU may well have more to save than those in CCU by virtue of their employment status. Both credit unions offer a similar range of services and have a wide range in age of their members. ICU has a far lower proportion of female members than CCU, again explained by the common bond differences, where more men have traditionally worked in the industry associated with ICU. This is also reflected in the board membership.

The members of the board in ICU are, on average, 11 years younger than the board of CCU and far more qualified in educational terms and with a wider range of skills and talents. There would appear to be more interest in the credit union's operations by the board members in ICU than in CCU, where CCU is heavily dependent on one individual. The board of CCU seems 'tired' while the board in ICU seems more energetic. Board attendance is a greater problem for ICU, however, than it is for CCU, where average attendance is higher. However, the quality of input at board level in ICU seems to be richer than in CCU, although this could not be confirmed by board attendance in CCU.

Both credit unions have a similar range of committees working on behalf of the board and who carry out a similar range of activities. Only one committee in CCU has non-board members, while most committees in ICU have non-board members. Staff members in CCU do not put themselves forward for committee membership

as they have been 'soured' by previous experience. In ICU, staff serve on most committees as members.

There are no volunteer tellers in ICU while there are 6 in CCU. ICU is open to the idea of volunteer tellers but tends to use its volunteers at board or committee level. In CCU, the general members are not clear that volunteer tellers provide their services free of charge.

While training is available to both credit unions, volunteers in CCU tend not to take up opportunities. In ICU, there is a far greater take-up of training by volunteers, including third level credit union studies. ICU seems to be far more open to the idea of training than CCU and this is reflected in the numbers seeking out specific training.

Both credit unions experience similar attendance at their AGMs, but this is a far higher proportion of total membership in ICU than in CCU. Both credit unions offer similar incentives to their members to attend and both stated that it is the same cohort of members who attend each year. There is little contribution by the members at both credit unions' AGMs. Generally the same people contribute each year.

Volunteer recruitment in both credit unions could be described as haphazard although would seem to be taken a little more seriously in ICU than in CCU. Word of mouth is an important recruitment method in both credit unions. Competitions at elections are rare in both credit unions and generally both are happy if they can secure enough candidates for existing vacancies each year. ICU has made more innovative attempts to involve members than CCU and has tried harder to inform the members of their potential to get involved. The issue of youth involvement is taken a little more seriously in ICU than in CCU where the subject is actively avoided.

Both credit unions produce an annual report. There is little difference in the style and contents of the report of both credit unions.

When it comes to giving information to the members and eliciting feedback from the members, ICU is more active than CCU. ICU has a website, regular newsletter and conducts member surveys every 2-3 years. CCU does not have a website or newsletter and has never surveyed the members. It does not see any reason to do so. Involving the members through information provision and member feedback is reasonably important in ICU and is generally ignored in CCU. However, neither credit union makes efforts to involve their members in the strategic development of the organisation, through member meetings, advisory forums and so on.

Growth in both organisations has been steady, although ICU has made greater efforts than CCU to guarantee this growth. This has been related particularly to the restrictions on growth placed on ICU because of the nature of its common bond. The atmosphere in ICU seems to be more open and healthy than in CCU, with good relations between all personnel and a contented staff in ICU. Planning involving all personnel is far more apparent in ICU than in CCU which appears not to engage in planning of any nature. Both credit unions showed some regard towards their values and philosophy and a similar approach to involvement in the community.

As can be seen, there are few differences between CCU and ICU regarding member participation or OE although it might be argued that member participation in ICU is a little stronger than in CCU and that, based on the qualitative analysis rather than the quantitative analysis, ICU is slightly more effective than CCU. ICU has a wider range of member participation and involves its members in a greater variety of activities than CCU. Member participation is taken more seriously in ICU than in CCU. Therefore, based on the qualitative analysis of participation and OE in ICU and CCU, it can be said that a positive relationship exists between participation and OE: the more participation by members in the organisation, the more effective the organisation. The qualitative analysis would suggest that the hypothesis can be supported. As already pointed out, ICU ranked itself lower on the OE scale than CCU, so the hypothesis does not necessarily hold using the quantitative analysis of OE. However, the quantitative measures of OE are not necessarily reliable.

9.4.4 Exploring the relationship between organisational effectiveness and member participation – TCU

In theorising about effectiveness in a credit union, it was impossible to avoid discussing participation. The theorising drew on real-life examples of credit unions and other co-operatives where the members were involved and thereby contributed to the effectiveness of the organisation in pursuing these activities. In order to be effective, many of the activities in TCU depended on participation by the members. It is probably true to say that many of the activities in TCU would be much further removed from the needs of the members had they not involved the members. This also became clear in the case studied credit unions. For example, in ICU, the members had no say in the design and location of the premises and as a result the members were unhappy with the end result because parking was not available to them. In CCU, the members had no clear say in the running of the organisation and as a result, it was largely being controlled by one key individual who was protective of his knowledge, who was rarely questioned, and for whom no succession plans were in place. As a result, while CCU was being run smoothly, services were quite limited, there was very little community outreach and there was no real sense within the credit union of what the members wanted from the credit union accompanied with no desire to find out.

It has been seen throughout the discussion of OE in particular, that much of the OE in TCU was derived from the fact that members were participating at varying levels in the credit union. For example, in the discussion of ‘community’, it was seen that the credit union was particularly effective on this indicator because it had involved the members of the credit union in identifying how community needs around unemployment could be met by TCU. In being an effective service provider, TCU involved the service users, that is, the members, in identifying what services they require and how these services are delivered. This ensured that the members needs were being met, an issue which is of central importance to credit unions. The relationship between participation by the members and the effectiveness of the service offering was clear.

TCU was likely to be an effective communicator because one of the ways it communicated what it does is by involving the member in the communication process. This ensured that the message being delivered to members was in the language of the member. It also ensured that there were open channels for feedback from the member. Therefore, there was a clear link between involvement by the members and the effectiveness of the credit union. TCU was effective in training and education because it attempted to involve the members in its educational programmes. Its premises were suitable for the members because the members had a strong say in their design and layout.

Based on the qualitative analysis of participation and OE in TCU, it can again be said that a positive relationship exists between participation and OE: the more participation by members in the organisation, the more effective the organisation. The qualitative analysis would suggest that the hypothesis can be supported. In order to be effective, credit unions must involve and enable involvement by the members.

9.4.5 Future research into the relationship between OE and member participation

Suggestions for possible research into OE and into member participation have already been made. In developing the research in both of those areas, there is wide scope to further test the hypothesis of this research. In particular, the testing of a quantitative relationship may be of interest to some, while further exploring the qualitative relationship.

9.5 Conclusions

Credit unions in Ireland largely blend into the financial services sector and are seen as 'just another financial services provider'. There seems to be little to differentiate many credit unions in the sector from conventional banks. Credit unions often seem to be basking in past glory, praising themselves for their success in meeting the needs of members by giving access to savings and credit facilities. Because credit

unions were so badly needed for so long, many have become complacent about the way they operate and for whom they exist. While the needs of Irish society have changed, many credit unions have not. Many credit unions continue to offer a similar range of services in much the same way since their foundation, despite the fact that there are now a myriad of other providers in the market who also offer these services, often in more convenient ways. As a result, credit unions have tried to compete head-on, rather than try to be different through carefully identifying and meeting member needs - activities which much of the co-operative literature states are fundamental to co-operatives.

The key difference between credit unions and conventional banks is their co-operative ethos – this is unique to credit unions and is something that conventional banks can never claim to have and can never use as a competitive advantage. The challenge for credit unions is putting this co-operative ethos more clearly into operation. This will require a conscious and co-ordinated effort to involve the members in actively identifying and meeting their own needs. Both CCU and ICU appeared to be aware that they had a co-operative difference but were not sure how it could be articulated in today's society. As a result, most of their services and activities were designed around the needs of members when they were first founded rather than the needs of today. This was also reflected in the confusion of credit unions as to what effectiveness is in credit unions.

Credit unions will have to be member-led in order to know what services the members need. Nord (1983) states that organisational effectiveness is defined by *what* the organisation should be doing for *whom*. Clearly, credit unions should be providing services to meet the needs of their members. If the credit union is providing the kinds of services that the members need, in the way the members need them, then they are more likely to be effective organisations. Organisational effectiveness in a credit union therefore demands member participation.

By drawing on the experiences of similar co-operative organisations throughout the world, the credit unions studied can begin to consider the ways in which the potential of their membership can be more fully realised. This is perhaps

particularly challenging in a consumerist society, where people are often not interested in giving of their time. However, if there is value and visible benefits resulting from involvement, such as a real sense of influence, it may well encourage members to become more involved. TCU showed the range of ways in which members can be given a real voice in shaping the organisation. A credit union such as TCU ensures that it is the members who bring issues and suggestions to the board, and not the other way around. Members are also enabled to be involved through appropriate education to help them to see the possibilities of co-operation, and through practical training if so desired.

If credit unions understand the central importance of the member to the running of the organisation, and put this into practice, it is likely that the conversation described in section 1.1 of this thesis would be quite different. Having regard to the behaviours in TCU, there would likely be strong agreement that the involvement of members will greatly enhance the performance of credit unions, rather than speculation and disagreement. There would also likely be excitement in the conversation about the huge potential of credit unions that activate their members to be dominant forces in the financial services sector.

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APPENDIX ONE

OE QUESTIONNAIRE

Please **circle the number** that indicates the extent to which you agree or disagree with **each** statement below.

Strongly disagree	Disagree	Slightly disagree	Neither agree nor disagree	Slightly agree	Agree	Strongly agree
1	2	3	4	5	6	7

Relative to other credit unions in Chapter XI, our credit union:

Has a high profile within its common bond	1	2	3	4	5	6	7
Boosts quality of life within its common bond	1	2	3	4	5	6	7
Provides sponsorship to community organisations	1	2	3	4	5	6	7
Has eliminated moneylending within its common bond	1	2	3	4	5	6	7
Is an integrating force within its common bond	1	2	3	4	5	6	7
Is growing	1	2	3	4	5	6	7
Is increasing its penetration of the common bond	1	2	3	4	5	6	7
Has potential to grow further	1	2	3	4	5	6	7
Actively seeks new members	1	2	3	4	5	6	7
Tries to find out why members close their accounts	1	2	3	4	5	6	7
Tries to find out why new members join	1	2	3	4	5	6	7
Offers a wide range of services	1	2	3	4	5	6	7
Offers a quality service	1	2	3	4	5	6	7
Meets the financial needs of its members	1	2	3	4	5	6	7
Is open to introducing new services	1	2	3	4	5	6	7
Receives complaints from members	1	2	3	4	5	6	7
Resolves members' complaints quickly	1	2	3	4	5	6	7
Satisfies its members	1	2	3	4	5	6	7
Meets members' service expectations	1	2	3	4	5	6	7
Provides relevant services to members	1	2	3	4	5	6	7
Responds promptly to member requests for loans	1	2	3	4	5	6	7
Responds promptly to member requests for share withdrawal	1	2	3	4	5	6	7
Helps members to overcome financial hardship	1	2	3	4	5	6	7
Rehabilitates members with financial problems	1	2	3	4	5	6	7
Delivers the maximum benefit possible to members	1	2	3	4	5	6	7
Gives members control over their own finances	1	2	3	4	5	6	7
Has open internal channels of communication	1	2	3	4	5	6	7
Regularly communicates with the members	1	2	3	4	5	6	7
Educates and trains its employees	1	2	3	4	5	6	7
Educates its members	1	2	3	4	5	6	7
Educates and trains all its volunteers	1	2	3	4	5	6	7
Has productive board-employees-committee relationships	1	2	3	4	5	6	7
Is involved in strategic planning	1	2	3	4	5	6	7
Sets useful policies	1	2	3	4	5	6	7
Demonstrates proper leadership	1	2	3	4	5	6	7

Strongly disagree	Disagree	Slightly disagree	Neither agree nor disagree	Slightly agree	Agree	Strongly agree
1	2	3	4	5	6	7
Evaluates its performance in all aspects of operations				1	2	3
Strives to improve in all aspects of operations				1	2	3
Has an annual independent inspection of operations				1	2	3
Sets appropriate objectives				1	2	3
Achieves its objectives				1	2	3
Operates according to credit union values				1	2	3
Advances and preserves credit union values				1	2	3
Has a policy of non-discrimination				1	2	3
Is inclusive, caring and welcoming				1	2	3
Demonstrates that it is socially responsible				1	2	3
Promotes credit union philosophy to members and non-members				1	2	3
Co-operates with other credit unions				1	2	3
Actively seeks member feedback				1	2	3
Regularly surveys members for their views				1	2	3
Puts a human face on banking				1	2	3
Makes its members proud to be members				1	2	3
Competes well with competitors				1	2	3
Compares well with other credit unions of a similar size				1	2	3
Has a good public image				1	2	3
Advertises itself				1	2	3
Attracts international interest				1	2	3
Has good conditions of employment				1	2	3
Has a courteous and friendly staff				1	2	3
Has a professional staff				1	2	3
Has a motivated staff				1	2	3
Has staff with good morale				1	2	3
Has a staff that are valued by the board				1	2	3
Has a staff with relevant skills				1	2	3
Has a loyal staff				1	2	3
Has a competent staff				1	2	3
Has an efficient staff				1	2	3
Has good staff relationships				1	2	3
Has easily accessible offices				1	2	3
Has opening hours that suit the members				1	2	3
Has conveniently located offices				1	2	3
Owens its own premises				1	2	3